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MALAYA'S ECONOMIC SITUATION IN 1950

Malaya for the first time since the end of world war II has had a favorable balance of trade thanks to the high output of tin and rubber and the record prices for these two strategic raw materials. The outbreak of the war in Korea has proved for Malaya a blessing in disguise and the continued high tension and anxieties regarding the early start of world war III augur well for the maintenance if not increase of prevailing quotations. The trade surplus of Malaya and Singapore for 1950 was over Malayan $1000 million, with exports (including re-exports of mainly rubber from Indonesia) at almost M$4 billion and imports M$ 2.9 billion. In 1949 Malaya closed with a trade deficit of M$162 million. The tin exports last year were around 81,000 tons (54,000 tin 1949) and rubber production amounted to almost 700,000 tons (670,000 in 1949).

Following the extraordinary rise in rubber and tin prices, cost of living mounted though only gingerly, making Singapore today the most expensive place in Asia after Manila and Hongkong. Indicative of the increased tempo of spending is the increase in the note circulation from M$400 million at the beginning of 1950 to M$550 m. at the close of last year, the increase amounting to almost 40%. Higher wages were demanded and to some degree paid by employers and governments (the colonial one in Singapore and the Federal Government in Kuala Lumpur) while the purchasing power of the Malayan dollar relative to the value of 1941 further declined; only 30 cents in 1941 equal, by & large, the purchasing power of a dollar today. The population has benfited from the tin and rubber boom though the planters and miners and the trading community have taken off the cream. Besides the general rearmament and stockpiling which made most raw material prices jump to record levels, the devaluation of sterling (September 1949) stimulated exports to an unprecedented extent. Hedging in tin and rubber was an added stimulant with civilian inventories being piled up in anticipation, right or wrong, of higher prices as governments were competing for Malaya's primary products.

With about one billion Malayan dollars trade surplus, largely in US$, the state of the public finances of the Federation and of Singapore could be expected to be most favorable but the 'Emergency' has proved very costly and there is no end to increased expenditure for the purpose of combatting the communist uprising (otherwise but falsely termed an anti-bandit campaign). The boom has therefore not produced the beneficial results as the guerilla war in Malaya has increased in scope and ferocity. The abnormal rise in the price of rubber was a windfall for the community and government revenue, mounting from year to year and taking about one dollod out of every seven dollars earned by the population, has been to an increasing extent pumped back into public works and expansion of social services but there is dissatisfaction everywhere that progress had been too slow as a result of the civil unrest in the country with no hope, at the moment, for a suppression of the guerillas in 1951.

The Federation government, with pride and fanfare, points to the many improvements and to the various plans of development which, if realised, should inaugurate an era of plenty in economically backward Malaya. But the blueprints of economic reformers are as yet far from the stage when practical discussion can take place— and official spokesmen reiterate to an anxious public that the sine qua non for any improvement in the country is the termination of the insurrection. As the military record has not been impressive—the 'Emergency' now lasts 2¾ years — the public is sceptical about the prospects of the implementation of the 'prosperity plans' and the authorities know it: very little public cooperation is noticed when it comes to tracking down the guerillas, on the contrary there is still a large proportion of the especially Chinese sector of the population who are covertly friendly with the communists and their terroristic armed bands.

The advance in 1950 has, considering the priority given to the extermination of the insurrectionists, been satisfactory in almost all branches of public affairs. The police and other security organs have received generous treatment and a high percentage of the budget is allotted to these unproductive items of expenditure. The resettlement of squatters — the large numbers of mostly Chinese 'marginal existences', city workers, agriculturists who have been suspected of comforting and supporting, either out of fear of assassination if disobeying communist orders or out of political sympathy with the cause for which the communists are waging internal war—has also proved to be a very expensive business for the government and thus has further eaten away considerable portions of the buoyant revenue of Malaya. On the other hand there have been gradual improvements of roads, health services, drainage and irrigation, educational and social services etc. Housing for government employees (on all levels) has progressed and thus the acute accommodation shortage has partly been reduced though the situation is still, especially in the growing capitals of the Malay States and in Singapore, serious which is the result of a steadily growing population and the general economic progress of the citizens who demand better living conditions. Medical services which are expanding and are being modernised have shown the good which comes from the establishment of more hospitals, the employment of more doctors and the spreading of information about clean and healthy living. Infant mortality is declining, life expectancy rises and the population increases; but whether this is really a blessing remains to be seen—economic and political advance being conditioned on a productive, educated and contented population which in Malaya today does not very extensively exist. At any rate, the improved public health is a source

of great official satisfaction. Education is another matter of official satisfaction as more schools have been built and illiteracy, especially among the Malays, has been reduced to some extent; but there is a woeful need for primary education which is a challenge to every regional authority while secondary education is more vigorously tackled. One university, in Singapore, is now open but cannot take in all the students who are so eager to seek wisdom or rather get qualifications to enter government service, the professions or commerical life on a better paid level.

The question of language is most irksome in Malaya where the indigenous Malays and their Indonesian brothers are almost outnumbered by the Chinese, immigrants and local born. The Indian community, mostly Tamil speaking, has also claims to their children receiving education in their native tongue. Now it is general practice that Malay is being taught in Chinese schools—the Chinese having usually their own schools, being not always satisfied with sending their children to mixed schools. English remains the language, besides of government and business, of the educated classes and no secondary education is possible without a course in English. Malay is the lingua franca of the peninsula but English is the language of all persons who aspire to a higher standard of living. There has been resistance by mostly immigrant Chinese to the compulsory teaching of Malay causing some more illfeeling among the two races.

The government has also promoted the cultivation of more padi (rice fields) and experimented with more commercial crops such as cocoa, ramie, manila hemp etc. It is the aim of the government to achieve some degree of selfsufficiency in rice and serious efforts have been made to induce farmers to devote more land and time to the cultivation of rice. In a time when the latex of rubber trees becomes ever more precious, the rice promotion scheme cannot be expected to meet with much success. There have been remarkable advances in the life of rural communities for which the authorities have to be thanked. The many devoted civil servants who are pushing ahead with their little and big plans are of the greatest importance to the wellbeing of Malaya and whatever one may say against a system of government which is properly described as paternal and benevolent despotism (though now slowly abdicating in favor of limited democracy) the fact that the British have provided so many excellent public officers who are a shining example of courage, intelligence, hardworkingness and personal integrity, should convince every 'Malayan' patriot that he is living under the best possible administration. The impressive record of progress in 1950 includes the establishment of new rice mills, consumer cooperatives, agricultural and fishing stations (assisting in the increase of fish catch, of growing of vegetables, of animal husbandry and poultry farming), and a hundred and one things. Ever more primeval jungle is being cleared and land is being made fertile by irrigation. The wealth of Malaya's forests, practically untapped, is another matter which the government is exploring. aiding the timber industry and building more sawmills. Mining enterprises are encouraged and the government is expanding the prospecting of new mining areas—all the while fighting back the guerillas in the hills and in the jungle. The mineral resources of Malaya have not been fully explored but what the country's mines today yield is adequate to maintain a considerable proportion of the population. Once the 'Emergency' has come to an end, by whatever means, the energetic opening up of the country can be taken in hand.

Labor has been on the whole cooperative and there were only a few strikes last year. Higher wages, to a good deal offset by rising prices, and full employment prevented the spread of communist agitation though it cannot be overlooked that the Malayan Communist Party has a very large reservoir of goodwill and potential assistance among the city proletariat. That labor has been so well behaved was partly due to the general prosperity initiated and maintained by high tin and rubber prices. Social services have been enlarged and workers can look back with some satisfaction when counting their 'victories' such as improved medical and insurance service, housing, education for workers' children and adults in evening classes. Unemployment is negligible and transitory; in many cases a shortage of especially skilled and semi-skilled labor has been noticed. Estate labor is often difficult to procure.

It is generally admitted that the so-called Emergency has retarded progress in almost every sector of public life which if not for the windfall of high raw material prices and the consequent favorable trade balance and government revenue surplus might have caused some unrest and severe criticism of the government and of the conduct of the military campaign. The Malay rulers and their principal spokesmen have not concealed their disappointment with the prosecution of the internal war and, though couched in the usual polite phrases, have often accused the British authorities of tardiness and incompetence. As one sultan put it "the Emergency is in fact a serious internal war" and the British prestige is in danger of further declining which would result in still less public cooperation and a growing lack of confidence in the future stability of the social order of today. Material prosperity, such as it is in Malaya, will not weaken the communist determination to oust the British and take over the country; and all hopes of a further raising of the standard of living of the Malayan people, with the gradual realisation of economic development schemes, will not militarily affect the situation as it exists today nor will it strengthen the general public's will to go all out along with the government. The majority of the Chinese are fence-sitters, the Malays are not fully convinced that the communists will be defeated in the end, and the Indians take hardly any direct interest in the progress or otherwise of the country. Nothing short of decidedly vanquishing the communist insurrectionists will save Malaya for the British, for the Malayans and for the good of the democratic world at large.

MALAYA'S TRADE IN 1950

The figures of the value of last year's trade do not give a complete picture. They are astonishing figures and show the prosperity of Malayan economy in twelve months of rising commodity prices and war scare buying. Exports totalled $3.960 million, the largest on record, and imports amounted to $2,891 million, a favourable balance of $1,068 million compared with an adverse balance last year of over $162 million. The value of Malaya's imports rose by over a thousand million dollars. Exports were more than doubled in value. In 1949, which was not an unsatisfactory year, exports totalled only $1,677 million. It was the second half of the year that the upswing in rubber and tin prices began to be reflected in export returns. Exports from June to December were more than double the value of trade from January to June. The year began with a small adverse balance, and at the half year the favourable balance was only $95 million. In the last quarter of the year exports totalled $625 million more than imports, and 1951 has begun with this trend.

Rubber's part in this phenomenal increase in the export trade is illustrated by a comparison of rubber shipments. In the first nine months of last year, rubber exports totalled 891,000 tons, almost exactly equal to the 1949 total. The value, however, was $1,670 million against $727 million, and this figure was already within $7 million of the value of the whole of Malaya's export trade for 1949. In the last three months of last year, with the average price better than ever, another 207,000 tons of rubber were exported. The volume of trade in 1950 increased as well as the value, but it is to better prices that most of the improvement is owed.

There have been significant changes in the direction of some of Malaya's trade. The British Treasury will take delight in the considerable increase in the favourable balance of trade with America, the one major country from whom Malaya bought less last year

than in 1949. Imports were down by $24 million, but exports jumped from $430 million to $1,048. Allowing for devaluation, Malaya's dollar earnings last year were up by over sixty percent. The United Kingdom had an adverse balance of trade with Malaya last year; exports to the United Kingdom rose from $240 million to $547, imports totalled $505 million against $383 in 1949.

Another striking feature is the recovery in trade with Communist China, still mostly a matter of rubber. In 1949 Malaya shipped only $7 million of exports to China. Last year the total was $124 million, although imports rose only by $20 million to a total of $96 million. Exports to Hongkong also reflect increased although indirect trade with China. Hongkong's purchases from Malaya last year rose to $203 million, against only $66 million in 1949. India bought only 25 percent more than in 1949, but trebled her sales to Malaya, an increase mainly in textiles and sundries which eclipsed even the fresh headway made last year by Japan. The Japanese doubled their exports to Malaya, selling $94 million worth, and took in return Malayan exports valued at $115 million compared with only $30 million in 1949. Indian exports to Malaya totalled $196 million.

It has been a boom year which brings its own warnings, apart from the inflationary problems which come with prosperity in the primary industries. It is a boom which should encourage the development planners, for here is a flow of capital to help the financing of Federation schemes. Dividend remittances will reduce it, but not so seriously as to destroy the assumption that if this money can be directed into the right channels, there should be no fear of economic planning collapsing for lack of capital.

REPORTS FROM MALAYA

MALAYAN FEDERATION BUDGET

The revised estimates of revenue for 1951 are remarkable, for although the estimates are still on the conservative side they add over $42 million to the figures rejected by Federal Legislative Council when the budget was presented. It is now estimated that 1951 revenue will total $410 million, against an expenditure of $440 million, but to the more realistic estimate of revenue from rubber exports there is still to be added the effects of the new rates of duty. At an average price of $1 a pound and 670,000 tons of rubber exported the new progressive rates of duty would bring in another $63.7 million, turning an estimated budgetary deficit of $30 million into a surplus. Among other estimated increases of revenue, an extra $13 million from income tax has attracted attention. It is an expression of faith in redoubled efforts by the Income Tax Department, and if the necessary staff are recruited even this new estimate ought to be eclipsed without difficulty. Cheerful as the Federal treasury outlook becomes, however, the certainty that cost of living allowances will have to be increased, and the probability that further relatively heavy expenditure will be asked for emergency measures, make the position dubious. The tax-payer has his fears as the Federation's Secretary of Economic Affairs has spoken of increases in indirect taxation, not primarily for revenue purposes but as part of the plan to mop up the surplus purchasing power which record prices for rubber and tin have created.

TIN EXPORTS & MINING

Export of tin from Singapore and the Federation for last year amounted to a new post-war record figure of 81,793 tons. This was an increase of 27,040 tons over the total exports for 1949, and 34,599 tons over 1948 exports. The year saw a steady rise of the price of the metal. In January, the Singapore price averaged $287.55 a picul, with the lowest price being $284.87½ in Singapore on Jan. 3 and £578¼ a ton in London on Jan. 4. The steady rise was well maintained through the months, until on Nov. 8 the new record price was $642 a picul, London registering a new high on Nov. 7 of £1,280 a ton. But on average, November recorded $530.37 a picul against $541.68 in December.

Tin and tin-ore exported from the Federation were 57,722 tons, an increase of four per cent. over 1949's figure of 55,449 tons and 24 per cent. over 1948's figure of 44,774 tons. Imports of tin and tin-in-ore last year were 8,954 tons, 1,341 tons from Burma and 407 from other sources.

Despite a drop in production of tin during the last quarter of 1950, export duty on Malayan tin for the last three months produced revenue totalling $17.2 million compared with $33.7 million for the months of January to September. The total revenue from tin duty for 1950, at $50.9 million was $12.9 million more than last year.

During the fourth quarter, Malaya exported 18,900 tons of tin, a decrease of 324 tons as compared with the third quarter. The last quarter's decrease was due to the shortage of power and the working of lower grade ground. The number of operating mines increased. There were 733 tin mines and dredging units operating in the country in December last year. The figures for October and November were 712 and 730 respectively. Of the 733 units in operation during December, 119 were operated by Europeans and 614 by Chinese.

Last year's total cost production reached 415,777 tons, representing an increase of 28,879 tons over that for 1949. Production during the four quarter of 1950 was 101,172 tons.

IRON & GOLD

The output of iron ore was 498,903 tons last year, representing an increase of almost 100 per cent.

There was an increase of 1,539 troy ounces of gold in the production during the last quarter of last year compared with the previous quarter's output. The gold produced in 1950 was 18,436 ounces, which was 4,835 ounces more than the output for 1949.

MALAYAN PORTS

Over 2,000,000 tons of cargo were discharged or loaded at Federation ports during 1950. During the year 1,153,693 tons of general cargo were unloaded by ships of 75 tons or over at Penang, Malacca, Port Swettenham, Teluk Anson and Port Dickson. A total of 952,053 tons were loaded into vessels of more than 75 tons. Coal discharged totalled 6,867 tons and 209 tons were loaded. In vessels under 75 tons 51,063 tons of cargo was discharged and loaded during the year.

THE SINGAPORE MARINE DEPARTMENT

Shipping has always been of principal importance in the prosperity of Singapore with its traditional "free port" policy. There are several factors contributing to achieve a position where ships of all types and sizes are able to come and go in large numbers and unload and load their cargoes with a minimum of delay and difficulty. Apart from the natural and real advantages of Singapore's geographical situation on the trade routes, and her fine harbour, the factors centre on the port facilities available which include adequate navigational aids such as lighting and buoyage, adequate and safe berthing accommodation, reliable pilots, up-to-date loading and unloading arrangements including fuelling facilities, a ready supply of fresh water, fresh provisions and stores, and facilities for surveys, docking and repairs.

Port Administration is divided between two distinct and separate organisations. The wharves and docks are the responsibility of the Singapore Harbour Board which administers them under the Port Ordinance. The rest of the port is the responsibility of the Master Attendant's Department, administered under the Merchant Shipping Ordinance. The Singapore Harbour Board consists of a Chairman who is also the General Manager, the Colonial Secretary, and several representatives of the shipping and commercial community, and is directly responsible to the Governor, whereas the Master Attendant as head of a Government department is directly responsible to the Singapore Government.

This article purports to deal with the work of the last named organisation only. The functions of the Master Attendant are not confined to port conservancy and berthing because, he is also legally Port Officer, Shipping Master, Registrar of British Ships, Registrar of Seamen, and Receiver of Wreck, and some of these other requirements of shipping are dealt with by sub-departments under his Deputy

Officers. A brief outline of the various duties of the Department is given below.

THE PORT OFFICE:— The Port Office deals with the supervision of shipping in connection with loadline and passenger certificates, the carriage of deck passengers, and clearances out of office hours. It also deals with berthing, buoys, beacons, launch routine, Marine surveys, compass adjustments. Housing the telephone exchange, it is the central information bureau in respect of arrivals and departures of shipping and is in direct communication with Mount Faber Signal Station. There is a Boarding Officer on duty day and night to deal with signals and emergencies afloat.

THE SHIPPING OFFICE:— The Shipping Office deals with the engagement and discharge of seamen of all nationalities serving in British ships. The Articles of Agreement and Certificate of Registry of every British ship calling at Singapore are deposited at the Shipping Office on arrival and the same applies to foreign ships having no consular representative; these are returned when the ship leaves. The Shipping Master is *in loco parentis* to the personnel of the Merchant Navy passing through the port, taking charge of them when discharged and making arrangements for their repatriation if they have been sick, imprisoned or left behind for any other reason. Any seamen signed-on in a British ship who has a grievance may take his complaint to the Shipping Master. The Shipping Office also deals with the issue of clearances and certificates of competency and the collection of Imperial Light Dues. Every ship irrespective of her nationality receives what is called a "Port Clearance" before sailing which is in effect a certificate from the Port Officer that he is satisfied as to her nationality, seaworthiness and honest intentions, and, before it is issued the application must be endorsed by the Imports and Exports Department to ensure that no prohibited exports are being taken from the Colony and that all the requirements of that Department have been observed. When a ship arrives her clearance from the last port of call is examined and explanations are called for if she has been cleared for a port other than Singapore. In 1949, 11,074 vessels of all nationalities of over 75 tons, and 41,000 vessels similarly of 75 tons and under, entered and cleared the port. All ships from ocean-going liners to sampans are required by law to carry a certain quota of certificated persons from Master (Foreign going) to steersmen. Examinations for all these certificates are carried out by Master Mariners of the Marine Department and those for the corresponding engineering certificates by Officers of the Department of the Surveyor-General of Ships, and all certificates issued bear the signatures of the Colonial Secretary and the Master Attendant in his capacity of Registrar of British Ships. The Imperial Light Dues collected on behalf of the Ministry of Transport are from ships which have passed within the range of certain lighthouses in the Bahamas and Ceylon.

REGISTRY OF SHIPPING:— The Registry of Shipping deals with the registration of ships under British and Singapore Registry, transfer of ownership of registered ships, changes of name. It also deals with the licensing of native sailing vessels, launches, twakos, sampans and lighters. The total number of vessels on the Singapore Register including licensed craft at the end of 1949 was 3,018.

SEAMEN'S REGISTRATION BUREAU:— The Seamen's Registration Bureau deals with the registration of seamen and keeps a roster of unemployed seamen. Masters requiring crew replacements must, except in emergency, apply to the Bureau. In 1949 a total of 4,229 seamen were registered and 8,596 were found employment.

OTHER SERVICES:— The Marine Department Engineer deals with the maintenance of launches and all navigational lights and controls the Launch Depot at Pulau Brani where the maintenance of navigational buoys is also carried out. The Signal Officer is in charge of two Signal Stations where day and night ship to shore visual communication is maintained. Besides reporting arrivals and departures to authorites concerned and hoisting berthing signals for the wharves, a commercial service is maintained whereby messages concerning ships' business are handled. An important facility carried out by the Signal Officer is the calibration of Ships' Wireless Direction-Finding equipment. Flags are also made by the Signal Staff. In addition to the above the Master Attendant's Department issue Navigational Warnings as necessary, administer the laws concerning the carriage of Explosives, Petroleum and other Dangerous Cargoes. The duties of Receiver of Wreck briefly amount to his having powers to raise, remove, or destroy any dangerous wrecks and sell them or any part of them that may be recovered, the owners having first option of purchase.

THE MASTER ATTENDANT:— The Master Attendant is also President of the Pilot Board and Chairman of the Singapore Mercantile Marine Fund and the Sailors' Institute. The Singapore Mercantile Marine Fund's revenue, which is derived from Sunday Labour Fees, is expended in paying relief to superannuated members of the Merchant Navy who have served in ships sailing out of Singapore, and to their dependants, and also in charitable grants connected with seafarers generally. The Sailors' Institute is a well equipped residential centre for officers and men of the Merchant Navy of all nationalities, having its own chapel, cinema hall, etc.

HONGKONG'S TRADE IN JANUARY 1951

The total trade of Hongkong in merchandise during the month of January 1951 showed a declared value of $996,380,516 or an increase of 77.8% over the figures for January 1950. Imports amounted to $452,589,359 as compared with $321,227,532 in January 1950, or an increase of 40.9%, and exports to $543,791,157 as compared with $238,872,315 in January 1950 or a gain of 127.6%. The most outstanding feature in January's trade was the growth in shipments between Hongkong and South China, Malaya, Japan, Indonesia, Pakistan, the Netherlands and Germany. On the other hand, trade with the United States showed a fall in both imports and exports.

Hongkong's Trade with Countries

	Value ($ millions)			Increase over Jan. 1950		
	Total Trade	Imports	Exports	Total Trade	Imports	Exports
	$	$	$	%	%	%
South China	200.1	33.9	166.1	613.0	442.5	661.9
Malaya	175.1	63.9	111.2	385.6	536.3	327.5
Japan	81.3	66.8	14.5	481.7	1945.1	35.6
Indonesia	35.3	10.1	25.2	136.5	13.6	388.5
Pakistan	29.9	19.7	10.2	388.1	378.4	408.2
Netherlands	18.3	16.1	2.2	189.8	243.7	36.1
Germany	14.4	10.0	1.7	427.8	499.2	314.9
				Decrease against Jan. 1950		
U. S. A.	51.4	29.5	21.9	42.9	55.9	56.1

Commodities showing the greatest increase were rubber, vegetable oils, iron & steel, dyes and textile fabrics. Even paper, which has been faced with such difficulties both in obtaining replenishments and in making sales in view of the rising prices, showed a gain. Most considerable drop in trade took place in made-up textiles other than clothing and in feeding stuffs for animals.

Hongkong's Trade in Commodities Compared with January 1950

	Imports		Exports	
	Value	Increase	Value	Increase
	$	%	$	%
Rubber	61.6	2241.6	79.2	2126.9
Vegetable Oils	14.1	278.5	14.8	334.6
Iron & Steel	20.1	133.9	25.1	435.3
Dyestuffs	25.8	153.3	28.3	234.4
Textile Fabrics	46.3	92.0	60.7	246.4
Chemicals	27.5	12.0	49.3	150.4
Clothing	3.5	22.9	87.8	268.6
Paper	11.2	7.9	14.6	38.9
		Decrease		Decrease
Made-up Textiles	2.4	83.7	5.9	57.0
Feeding Stuffs	0.1	98.1	0.9	71.0

HONGKONG'S TRADE FOR JANUARY 1951

TOTAL VALUES OF IMPORTS & EXPORTS BY CHAPTERS

Articles	IMPORTS January 1951	IMPORTS January 1950	EXPORTS January 1951	EXPORTS January 1950
	$	$	$	$
Live animals, chiefly for food	3,595,260	3,489,261	40,629	41,370
Meat and preparations thereof	1,495,898	1,960,168	3,672,886	1,465,491
Dairy products, eggs and honey	6,721,862	5,184,638	3,555,907	2,669,715
Fishery products, for food	13,788,418	7,626,211	12,610,688	4,194,543
Cereals	11,261,220	6,989,052	838,044	1,239,766
Manufactured products of cereals, chiefly for human food	9,308,165	13,776,846	4,779,127	3,975,173
Fruits and nuts, except oil-nuts	7,101,542	8,254,840	6,012,394	4,328,964
Vegetable, roots & tubers, chiefly used for human food & their preparations, n.e.s.	8,661,795	5,693,058	11,518,682	7,435,076
Sugar and sugar confectionery	13,431,772	6,704,531	14,091,918	7,456,964
Coffee, tea, cocoa and preparations thereof; spices	3,162,322	3,492,297	4,540,295	3,721,706
Beverages and vinegars	3,578,155	3,254,585	2,374,254	1,343,827
Feeding stuffs for animals, n.e.s.	111,122	5,761,486	927,791	3,197,965
Tobacco	2,737,792	8,694,216	3,775,763	2,708,196
Oil-seeds, nuts & kernels	10,133,735	10,247,698	5,709,916	3,451,613
Animal & vegetable oils, fats, greases & waxes & their manufactures, n.e.s.	14,122,260	3,731,856	14,765,648	3,396,735
Chemical elements and compounds; pharmaceutical products	27,488,250	24,537,686	49,354,373	13,702,744
Dyeing, tanning & colouring substances (not including crude materials)	25,865,222	10,210,493	28,275,190	8,455,513
Essential oils, perfumery, cosmetics, soaps and related products	2,348,947	2,734,669	3,415,753	1,636,809
Fertilizers	3,781,970	4,345,414	4,685,352	2,683,110
Rubber and manufactures thereof, n.e.s.	61,608,484	2,631,390	79,235,106	3,557,860
Wood, cork and manufactures thereof	5,491,709	7,031,597	1,830,144	998,322
Pulp, paper & cardboard manufactures thereof	11,290,343	10,458,002	14,609,634	10,518,611
Hides & skins & leather	4,203,838	1,663,967	2,682,305	1,177,964
Manufactures of leather, not including articles of clothing	60,103	123,087	1,055,221	379,335
Furs, not made up	29,000	227,543	54,300	357,699
Textile materials, raw or simply prepared	29,381,800	10,257,032	10,140,511	14,263,613
Yarns and threads	17,273,314	26,867,796	15,977,848	14,132,485
Textile fabrics and small wares	46,268,808	24,093,850	60,674,808	17,513,658
Special & technical textile articles	1,895,605	908,514	1,916,345	630,168
Clothing & underwear of textile materials; hats of all materials	3,531,647	2,872,255	27,806,993	7,543,440
Clothing of leather & fur	10,136	42,240	—	3,070
Footwear: boots, shoes & slippers	57,993	191,776	2,113,813	4,203,401
Made-up articles of textile materials other than clothing	2,428,643	14,882,698	5,992,885	13,937,300
Products for heating, lighting & power, lubricants & related products, n.e.s.	12,198,896	14,917,246	3,416,429	10,953,079
Non-metallic minerals, crude or simply prepared, n.e.s.	2,282,223	3,199,927	3,910,442	1,299,913
Pottery and other clay products	1,288,308	733,307	1,537,519	594,693
Glass and glassware	863,783	736,298	1,862,709	1,062,173
Manufactures of non-metallic minerals, n.e.s.	796,427	348,793	1,118,703	143,926
Precious metals & precious stones, pearls & articles made of these materials	837,497	833,729	1,579,992	235,671
Ores, slag, cinder	7,300	230,984	949,468	889,803
Iron and steel	20,082,209	8,583,008	25,161,926	4,700,420
Non-ferrous base metals	5,477,158	4,127,296	6,576,277	3,047,736
Manufactures of base metals, n.e.s.	6,208,338	5,280,929	20,902,056	8,313,796
Machinery, apparatus and appliances other than electrical, n.e.s.	9,697,472	7,168,232	11,601,461	4,981,552
Electrical machinery, apparatus and appliance	7,249,292	5,362,065	7,800,130	2,604,441
Vehicles and transport equipment, n.e.s.	4,843,343	5,248,045	8,035,006	2,741,215
Miscellaneous crude or simply prepared products, n.e.s.	10,413,671	13,932,772	21,549,757	20,714,341
Manufactured articles, n.e.s.	18,116,312	11,584,149	28,754,757	10,267,335
TOTAL MERCHANDISE	452,589,359	321,227,532	543,791,157	238,872,315
GOLD AND SPECIE	352,654	905,184	1,764,410	6,836,362
GRAND TOTAL	452,942,013	322,132,716	545,555,567	245,708,677

HONGKONG'S TRADE FOR JANUARY 1951

TOTAL VALUES OF IMPORTS & EXPORTS BY COUNTRIES

Countries	IMPORTS January 1951	IMPORTS January 1950	EXPORTS January 1951	EXPORTS January 1950
	$	$	$	$
MERCHANDISE				
United Kingdom	42,814,745	46,760,086	21,825,328	7,847,488
Australia	11,706,767	9,317,347	2,928,704	3,033,900
Canada	9,912,460	6,478,362	1,215,125	891,370
Ceylon	363,760	127,782	817,274	159,400
East Africa (Br.)	365,087	284,167	1,497,241	782,058
India	15,653,342	39,831,788	3,205,875	1,631,875
Malaya (Br.)	63,889,935	10,041,058	111,215,762	26,015,769
New Zealand	155,984	583,084	446,443	120,745
North Borneo (Br.)	992,499	1,699,764	2,256,357	1,151,353
Pakistan	19,675,034	4,112,860	10,223,946	2,012,119
South Africa	941,958	443,298	2,202,860	546,719
West Africa (Br.)	—	—	1,278,416	254,921
West Indies (Br.)	320	4,000	240,401	498,942
Br. Commonwealth, Other	4,094,836	2,978,742	1,743,527	805,164
Austria	309,287	481,588	—	880
Belgium	8,505,480	2,395,784	575,793	660,172
Burma	1,251,512	170,272	644,503	670,711
Central America	673,532	164,269	619,220	388,016
China, North	29,063,290	35,614,618	61,373,716	41,609,137
„ Middle	14,500,088	9,712,109	21,544,522	29,984,573
„ South	33,934,895	6,254,901	166,150,632	21,807,073
Czechoslovakia	1,804,605	1,305,854	—	—
Denmark	1,333,947	592,821	1,060,961	166,146
Egypt	1,875,075	194,697	469,165	187,625
Finland	241,893	176,525	—	7,905
France	6,312,768	3,477,705	2,981,192	346,146
French Indochina	2,274,226	1,428,625	1,561,270	1,251,526
Germany	10,031,451	1,674,099	4,398,784	1,060,278
Holland	16,106,196	4,685,916	2,237,552	1,643,813
Iraq	17,226	10,000	56,189	20,618
Italy	5,982,049	3,113,430	2,849,014	674,473
Japan	66,795,008	3,266,615	14,522,022	10,709,752
Korea (North)	—	7,070,882	—	3,255,750
„ (South)	211,358	7,266,512	—	5,889,595
Macao	9,361,005	6,774,793	28,198,047	27,397,503
Norway	771,113	3,283,618	1,126,478	111,110
Oman	44,600	51,600	53,799	34,549
Persia	90,081	93,059	126,769	2,940
Philippines	509,418	538,937	8,099,009	2,293,810
Poland	364,442	501,168	—	—
Portugal	338,811	156,772	187,214	3,920
Portuguese East Africa	—	—	243,172	191,284
South America	8,881,608	146,788	1,026,043	3,742,159
Spain	632,877	68,040	—	—
Sweden	1,941,945	2,493,858	1,223,087	144,433
Switzerland	9,302,288	6,259,161	147,345	68,951
Thailand	7,204,549	12,027,293	11,867,242	7,085,988
Turkey	200	6,000	582,517	56,000
U. S. A.	29,466,087	66,792,823	21,905,261	23,206,021
Indonesia	10,132,822	8,771,007	25,189,288	6,164,747
U. S. S. R.	153,000	—	—	—
Others	1,603,900	1,543,055	1,674,092	2,282,864
TREASURE				
United Kingdom	—	—	1,384,000	426,272
North Borneo (Br.)	—	—	273,410	—
China, North	—	110,000	—	—
„ South	—	547,629	—	—
Macao	352,654	247,555	—	—
Thailand	—	—	107,000	—
U. S. A.	—	—	—	6,410,090
TOTAL MERCHANDISE	452,589,359	321,227,532	543,791,157	238,872,315
TOTAL TREASURE	352,654	905,184	1,764,410	6,836,362
GRAND TOTAL	452,942,013	322,132,716	545,555,567	245,708,677

HONGKONG'S TEXTILE TRADE

IMPORTS OF COTTON PIECEGOODS

	Monthly Average 1950 Yds.	December, 1950 Yds.
United Kingdom	482,773	186,266
Australia	180	—
Canada	832	--
Ceylon	500	—
Malaya (British)	1,812,815	1,008,409
British North Borneo	177	—
India	2,580,410	1,485,617
Austria	17	200
China, North	1,184,937	289,300
„ Middle	4,041	6,300
„ South	516,434	3,000
Central America	3,883	—
Czechoslovakia	40,059	9,443
Belgium	2,283	1,363
France	14,717	24,830
Germany	6,342	—
Holland	46,314	11,814
Italy	26,207	25,000
Japan	2,068,957	5,041,124
Korea, South	811	—
Macao	202,814	198,280
Switzerland	5,911	6,752
U. S. A.	499,875	686,352
All other ciuntries	1,000	—
Total	9,502,289	8,984,050

EXPORTS OF COTTON & RAYON PIECE GOODS FROM HONGKONG

Cotton Piecegoods	Monthly Average 1950 Yds.	December, 1950 Yds.
United Kingdom	489,440	1,145,730
Australia	272,349	282,185
Canada	277	—
Ceylon	7,638	—
Malaya (British)	3,147,043	4,317,640
New Zealand	4,967	16,800
British East Africa	19,215	22,640
British West Africa	29,647	—
British South Africa	181,609	219,630
British North Borneo	103,276	1,239,310
British West Indies	90,973	32,120
British Commonwealth of Nations, Other	43,239	64,598
Burma	16,745	—
China, North	300,184	3,563,100
„ Middle	1,877,942	1,281,448
„ South	512,969	60
Denmark	32,952	5,860
French Indochina	28,240	40,000
Holland	11,333	—
Japan	13,311	—
Korea, North	136,733	—
„ South	258	—
Macao	442,986	181,876
Oman	75	—
Pakistan	872,243	25,000
Philippines	1,469,941	1,391,193
Port. E. Africa	3,817	6,000
South America	931	—
Sweden	18,125	—
Thailand	778,170	321,784
U. S. A.	4,243	—
Indonesia	917,533	7,604,177
Other Countries	37,954	456
Total	11,866,358	14,589,297
Rayon piece-goods	3,157,332	5,898,051
Rayon mixture piece-goods	46,801	76,904

Note:—The unit of measurement is piece lengths in yards, since no data are available on widths to enable measurement to be made in square yards. Widths vary from 54 inches to 27 inches

HONGKONG IMPORTS & EXPORTS OF AIR FREIGHT

VALUE OF IMPORTS OF AIR FREIGHT

Countries	Monthly Average 1950 Quantity Kilos	Monthly Average 1950 Value $	December, 1950 Quantity Kilos	December, 1950 Value $
United Kingdom	2,081	542,395	4,058	1,205,352
Australia	222	10,140	238	26,332
Canada	489	382,763	152	130,652
India	112	29,483	247	52,850
Pakistan	24	542	295	6,500
Malaya (British)	214	41,007	43	26,662
British Commonwealth of Nations, Other	318	5,530	15	2,000
Austria	19	1,486	—	—
Belgium	13	1,127	—	—
Burma	60	1,392	72	2,002
China, Middle	57	2,154	30	1,000
„ South	199	5,325	—	—
Czechoslovakia	12	2,061	33	10,170
Denmark	12	1,193	2	90
Egypt	1	43	—	—
France	152	33,178	317	16,511
French Indochina	2	51	—	—
Germany	2,426	242,748	6,102	570,559
Holland	20	6,385	65	7,360
Italy	50	22,863	265	116,184
Japan	1,330	128,321	4,366	359,266
Korea South	3	1,191	—	—
Norway	13	67	—	—
Philippines	298	9,306	71	3,024
South America	5	12,775	30	137,824
Spain	9	2,000	—	—
Sweden	156	18,543	334	50,088
Switzerland	5,992	4,556,147	6,508	4,494,711
Thailand	101	23,748	20	15,325
U. S. A.	7,705	2,607,899	9,958	2,625,942
Indonesia	853	105,745	—	—
All other countries	11	18,970	—	—
Total	22,959	8,816,578	33,221	9,860,404
Total Br. Commonwealth of Nations	3,460	1,011,860	5,048	1,450,348
Total Foreign	19,499	7,804,718	28,173	8,410,056

VALUE OF EXPORTS OF AIR FREIGHT

Countries	Monthly Average 1950 Quantity Kilos	Monthly Average 1950 Value $	December, 1950 Quantity Kilos	December, 1950 Value $
	317	84,542	672	154,569
United Kingdom	461	52,585	1,483	148,106
Australia	58	8,022	300	26,623
Canada	27	1,237	—	—
Ceylon	19	1,359	5	5,500
East Africa	3,878	166,013	88	11,692
India	1,721	80,118	2,153	165,051
Pakistan	4,339	4,255,084	6,519	9,049,607
Malaya (British)	—	32	—	—
New Zealand	12	2,107	35	6,620
North Borneo	27	6,074	20	2,735
West Africa	5	1,012	—	—
West Indies	19	1,329	—	—
British Commonwealth of Nations, Other	25	1,665	4	340
Austria	—	72	—	—
Belgium	96	24,637	294	47,338
Burma	3,393	98,178	2,001	61,277
Central America	96	20,774	43	5,516
China, Middle	14,271	695,045	17,588	910,759
„ South	1,826	32,877	—	—
Czechoslovakia	—	4	—	—
Denmark	115	22,787	145	54,547
Egypt	122	12,215	34	5,691
France	81	29,529	270	176,544
French Indochina	1,426	48,488	1,336	15,859
Germany	87	13,648	156	21,880
Holland	76	23,534	75	24,056
Iran	1	249	—	—
Iraq	1	80	—	—
Italy	32	3,912	155	9,953
Japan	2,196	329,381	2,362	320,590
Korea South	544	42,624	4,176	191,701
Norway	38	4,076	91	18,827
Philippines	2,731	32,442	2,801	88,939
Portugal	2	238	—	—
Portuguese East Africa	—	25	—	—
South America	719	26,065	372	45,011
Sweden	31	4,504	24	2,867
Switzerland	138	16,360	88	10,264
Thailand	5,427	296,103	3,930	109,576
Turkey	2	136	—	—
U. S. A.	5,095	976,864	11,483	1,415,431
Indonesia	69	9,281	557	58,149
All other countries	196	17,988	122	10,612
Total	49,725	7,443,235	59,382	13,176,230
Total Br. Commonwealth of Nations	10,914	4,661,119	11,279	9,570,843
Total Foreign	38,811	2,782,116	48,103	3,605,387

HONGKONG IMPORTS OF RAYON & RAYON MIXTURES

inches to 27 inches

	Monthly Average 1950 Yds.	December, 1950 Yds.
United Kingdom	153,472	85,089
India	477	—
Malaya (British)	11,420	50,153
Belgium	547	—
China, North	95	—
„ South	5,731	—
Czechoslovakia	886	1,774
France	8,188	726
Germany	1,334	—
Holland	4,900	5,460
Japan	3,334,434	9,271,571
Macao	3,337	19,800
Italy	74,090	2,600
Sweden	1,466	—
Switzerland	3,642	195
U. S. A.	621,110	515,834
Total	4,225,129	9,953,202

HONGKONG IMPORTS OF COTTON YARN

	Monthly Average 1950 lbs.	December, 1950 lbs.
United Kingdom	142,254	102,731
India	2,459,944	4,309,800
Malaya (British)	68,833	77,600
British Commonwealth of Nations, Other	1,833	22,000
Burma	67	—
China, North	236,264	—
„ Middle	35,000	—
„ South	245,413	151,200
Holland	615	—
Japan	1,700	—
Macao	41,500	—
U. S. A.	916	—
Italy	3,800	45,600
Total	3,238,189	4,708,931

H.K. Electricity & Gas

ELECTRICITY

	Monthly Average 1949 Kw. Hrs.	Monthly Average 1950 Kw. Hrs.	December, 1950 Kw. Hrs.
Lighting	5,644,242	7,282,191	7,786,398
Power	5,961,254	8,374,717	9,460,147
Traction	805,757	851,924	1,078,597
Bulk Supply Consumers	5,610,309	7,810,759	8,298,297
Public Lighting	117,171	138,936	163,957
Total	18,138,733	24,458,527	26,787,396

GAS

	Monthly Average 1949 Cubic feet	Monthly Average 1950 Cubic feet	December, 1950 Cubic feet
Domestic) ... (Industrial)	(28,494,500 (1,866,892	35,835,592 2,267,525	42,648,700 2,544,900
Public Lighting	2,414,191	2,848,100	2,995,000
Total	32,775,633	40,951,217	48,188,600

HONGKONG IMPORTS & EXPORTS OF SELECTED COMMODITIES

FOR THE MONTH OF JANUARY, 1951

WOLFRAM

Countries	Imports Quantity	Imports Value	Exports Quantity	Exports Value
	Piculs	$	Piculs	$
United Kingdom ..	—	—	84	57,122
U. S. A.	—	—	56	43,898
Total	—	—	140	101,020

ANTIMONY

Nil

TIN INGOTS OF CHINESE ORIGIN

Macao	—	—	6	7,477
Philippines	—	—	40	34,000
U. S. A.	—	—	164	159,268
Total	—	—	210	200,745

TIN INGOTS, NOT ELSEWHERE STATED

Malaya (Br.)	152	162,550	—	—
Total	152	162,550	—	—

TINNED PLATES (TINNED SHEETS)

United Kingdom ..	2,697	242,849	—	—
Canada	219	10,500	—	—
Malaya (Br.)	1,186	81,440	—	—
China, North	—	—	292	57,600
U. S. A.	5,172	250,538	—	—
Total	9,274	585,327	292	57,600

ANISEED OIL

United Kingdom ..	—	—	307	374,080
Australia	—	—	44	41,454
India	—	—	11	13,005
South Africa	—	—	4	5,544
China, South	292	250,052	—	—
France	—	—	162	140,444
Holland	—	—	32	44,960
Italy	—	—	6	5,040
U. S. of Indonesia	—	—	3	3,840
U. S. A.	—	—	31	27,045
Total	292	250,052	600	655,412

CASSIA OIL

United Kingdom ..	—	—	28	82,687
Malaya (Br.)	—	—	6	12,600
China, South	64	143,040	—	—
Japan	—	—	5	10,225
U. S. A.	—	—	302	670,384
Total	64	143,040	341	775,896

COCO-NUT (COPRA) OIL, REFINED

Malaya (Br.)	219	34,818	—	—
China, North	—	—	155	24,700
„ Middle ...	—	—	1,211	187,974
„ South	—	—	12	1,800
Macao	—	—	120	21,940
Thailand	252	37,800	—	—
Total	471	72,618	1,498	236,414

GROUNDNUT (PEANUT) OIL

India	1,680	260,800	—	—
Malaya (Br.)	240	37,680	2,246	396,645
North Borneo	—	—	30	4,865
Br. Commonwealth, Other	—	—	11	2,350
China, North	16,765	2,724,782	—	—
„ Middle ...	3,240	581,995	172	23,400
„ South	619	116,289	—	—
French Indochina .	90	16,200	—	—
Macao	8	1,607	1,503	227,610
Thailand	6,650	1,193,568	—	—
Total	29,292	4,932,921	3,962	654,870

WOOD OIL IN DRUMS

Countries	Imports Quantity	Imports Value	Exports Quantity	Exports Value
	Piculs	$	Piculs	$
United Kingdom ..	—	—	2,520	571,840
Australia	—	—	2,083	413,166
Canada	—	—	150	31,167
India	—	—	765	158,658
Malaya (Br.)	—	—	757	175,546
New Zealand	—	—	773	153,552
North Borneo	—	—	32	5,844
South Africa	—	—	1,260	236,376
Belgium	—	—	840	185,832
China, North	26,848	5,111,372	—	—
„ South	10,312	1,879,787	—	—
Denmark	—	—	1,680	394,020
France	—	—	1,344	280,120
Germany	—	—	1,260	266,700
Holland	—	—	2,352	496,268
Italy	—	—	672	146,822
Macao	—	—	51	8,070
Norway	—	—	2,936	600,108
Thailand	—	—	165	23,509
Sweden	—	—	3,733	763,373
Switzerland	—	—	168	30,408
U. S. A.	—	—	426	84,450
Total	37,160	6,991,159	23,967	5,025,829

WOOD OIL IN BULK

United Kingdom ..	—	—	29,742	6,272,374
China, South	383	54,000	—	—
Germany	—	—	1,848	364,320
Norway	—	—	336	72,000
Total	383	54,000	31,926	6,708,694

OTHER OILS FROM SEEDS, NUTS AND KERNELS

India	507	90,792	—	—
China, South	340	51,000	—	—
Total	847	141,792	—	—

BRISTLES

France	—	—	16	19,000
Germany	—	—	111	66,600
Japan	—	—	53	140,496
U. S. A.	—	—	395	1,363,724
Total	—	—	575	1,589,820

CRUDE RUBBER AND RUBBER SUBSTITUTES (GUTTA-PERCHA, BALATA, ETC.)

Malaya (Br.)	137,054	53,058,356	—	—
North Borneo	617	186,198	—	—
China, North	—	—	4,888	2,336,060
„ Middle ...	—	—	422	174,866
„ South	—	—	151,395	69,274,662
Macao	—	—	131	47,610
U. S. of Indonesia	9,411	3,219,648	—	—
Total	147,082	56,464,202	156,836	71,833,198

TEA SEED OIL

United Kingdom ..	—	—	4,564	927,809
China, North	423	52,700	—	—
„ South	3,697	689,783	—	—
Macao	—	—	3	660
Total	4,120	742,483	4,567	928,469

ECONOMIC REVIEW OF PAKISTAN

For Pakistan 1949 was a year of uneven economic progress. At the beginning, food was a vital problem, wheat being imported even for normally surplus western Pakistan. A bumper crop of spring wheat, however, gave the country a half-million ton exportable surplus, while an unusually good rice crop in the fall greatly reduced eastern Pakistan's dependence on imported rice.

Against this gain, however, must be placed the deterioration of relations with India, resulting in the virtual cessation of commercial and financial relations after Indian devaluation in September and Pakistan's decision not to devalue. This break-down of trade with India compelled Pakistan to make drastic changes in her trade pattern. As of the end of 1949 the country was able to conclude several bilateral trade agreements with European countries and Japan, but it is too early to judge how successfully Pakistan will be able to rechannel her trade.

Pakistan's trade balance, highly favorable from partition to the spring of 1949, turned sharply adverse as the result of substantial imports, including industrial machinery, and a severe drop in exports to India in the last quarter. The retail markets throughout the year were well stocked with foreign goods of almost every variety.

In the field of transportation, the financial position of the Dominion's two railway systems improved over 1948, although plant and equipment need extensive replacement and more adequate maintenance is required. Virtually all rail and highway arteries from Eastern Bengal focussed upon Calcutta rather than upon Chittagong, a port which never had been intended to carry the vastly increased traffic thrown upon it. Similarly, the internal water transport system of East Bengal was also designed with Calcutta as its focal point and some progress was made in reorienting it toward Chittagong and the Dacca-Narayanganj central portion of the Province. Efforts to improve Chittagong port facilities were attended with some success and the tonnages by the end of the year, while less than the desired volume, were considerably in excess of any previous figure.

The greatest economic dislocation in 1949, also attributable to the deterioration in Indian relations was suffered by the jute trade which had previously provided nearly 60 percent of Pakistan's foreign exchange. Pakistan has no jute mills, and steam presses with which to prepare jute for export are insufficient. Moreover, one-half of the world's jute milling capacity is in the Calcutta region and hence was unavailable for a large part of 1949 owing to the obstacles to trade. Pakistan officials, however, expressed confidence that they could export the entire crop, with the possible exception of very low quality jute, for which there is no demand outside of India, before the next monsoon in June 1950 and the harvest of the new crop in the summer months. In the latter quarter of 1949 the Government set up a Jute Board and a National Bank to facilitate the financing of the crop, and it also assisted in the import and installation of additional presses to prepare jute for export.

Mineral production was spotty with an increase in crude oil production over 1948 and a continuing decline in chromite ore. India embargoed coal shipments to Pakistan, which is dependent upon those imports for most of its requirements. Efforts were being made at the end of the year to obtain new coal supplies from South Africa, Poland, and other countries.

Some progress was recorded in other sectors of the economy. Work continued on the Dargai Hydroelectric Project and surveys were carried on by foreign engineers for similar projects, notably the Warsak Scheme near the Afghan Border. A few factories were built and some railroad construction was undertaken, but the rate of industrialization was slow. Surveys were made by an Anglo-American textile mission and an American steel mission, and other high-level planning was done by the Government in agricultural and industrial fields. The most satisfactory progress in the country outside of the food situation, but which had a direct bearing on food production, is the almost complete restoration of agricultural development in western Pakistan following the disruption caused by the wholesale exchange of populations in 1947. The new refugees have settled down to life on the farms of the Punjab and other areas and are producing much better crops than in previous years.

The general index of selected Karachi import and export commodities, based on 1949 as 100, stood at 343 for June 1949, a drop of 25 points from the January level. Although preparation of the index was then discontinued, Government technicians have estimated that at the end of 1949 it would have shown another 5-point decrease to 338, as compared with 350 on January 1, 1948.

AGRICULTURAL PRODUCTS AND THE FOOD SUPPLY

Pakistan's food supply changed in 1949 from deficit to surplus. The increase was mainly in wheat and rice, but other crops also showed gains. Cotton production increased, while a smaller jute crop was harvested in the latter part of 1949.

Jute

The jute crop year ends on June 30 and production for 1948-49 was officially reported as 5,479,095 bales and exports as 5,679,000 bales, the excess resulting from a decline in domestic stocks or an underestimate of the crop. Jute consumption in East Bengal is very small.

In spite of the official forecast of the Government of East Bengal of 3,332,455 bales for the 1949-50 crop, about 5,000,000 bales is considered as the probable final figure in trade circles and by many officials. Statistics for the last 2 years reflect a decline from the 1947-48 crop of 6,843,000 bales. It is possible that there will be considerable substitution of rice for jute acreage in 1950, since the soil is suitable for either crop and this is a customary substitution whenever the prices of jute is relatively low compared with that of rice, or the jute market is uncertain, or there is a threatened net rice deficit.

According to the Director of Commercial Intelligence and Statistics, exports of raw jute from east Pakistan in 1949 were 4,831,054 bales valued at 754,188,294 rupees, of which 3,156,560 bales totaling 402,603,664 rupees moved to India, compared with shipments to the rest of the world of 1,674,494 bales worth 351,584,630 rupees. Exports of raw jute in the final quarter of 1949 totaled 950,001 bales, against 2,222,000 bales exported in the comparable 1948 period. This drastic difference is directly attributable to the trade deadlock, which resulted in a total cessation of legal exports of jute from eastern Pakistan to India during November and December. On the other hand, exports from Chittagong to the rest of the world increased markedly in the last quarter of 1949 over previous months. The installation of additional presses to prepare jute for oversea shipment is proceeding, together with improvements in transportation and port facilities.

The East Bengal and Pakistan Governments have fixed minimum jute prices, the average ranging from 22-26 rupees per maund (82.28 pounds), compared with 32 to 38 rupees during the first half of 1949 and 28 to 32 rupees between July and September. With the maximum purchase price in Indian rupees set by the Government of West Bengal in India at about 20 percent below the East Bengal minimum prices after including baling, transportation, export duty, and other costs, no legal trade with India has been possible.

In order to assist the jute growers, the Government of Pakistan has set up a Jute Board which has apponted purchasing agents and facilitated the flow of jute to Chittagong. In addition,

the Pakistan National Bank was established late in the year to render financial assistance to the trade. It was reported that the Bank had loaned 15,000,000 rupees by early December out of 60,000,000 rupees authorized, but that very little jute had been purchased either by the Board or the Bank.

Cotton

Cotton acreage and yield decreased from 3,230,000 acres and 1,388,000 bales (400 lb. per bale) in 1946-47 to 2,704,000 acres and 989,000 bales in 1948-49, with the second forecast for 1949-50 being 2,889,000 acres and 1,100,000 bales, as a commercial estimate. Decreasing acreage is partially due to increasing salt incrustation and, for 1949, to the substitution of wheat as a result of the drastic and unusual cereal shortage in western Pakistan prior to the spring harvest.

Foreign buyers of Pakistan cotton have made soime complaints of fraudulent mixtures and watering, but measures by the Punjab Government have alleviated the position. The 1949-50 crop of superior cotton, as prescribed by new planting regulations, is being marketed in better condition. Plans have been drawn for a technical testing laboratory in Karachi, which will issue official quality certificates as a condition to exports. The 1948-49 crop was exported with the exception of a few thousand bales consumed locally. Despite the cessation of exports to India, 1949 cotton exports totaled 162,597 tons (see table 1 for details), almost identical with the 1948 figure of 162,655 tons.

TABLE 1.—EXPORTS OF RAW COTTON FROM PAKISTAN, 1949

(Quantity in long tons; value in rupees)

Country of destination	Quantity	Value
India	61,689	158,088,602
Japan	17,098	48,686,864
United Kindom	19,587	45,441,819
Hongkong	11,494	31,238,033
United States	1,942	2,624,447
All others	50,787	130,578,473
Total	162,597	416,658,268

Prices continued high throughout 1949, with a slight downward tendency in the latter part of the year and some accumulation of stocks in Karachi. For example, Punjab 289F cotton sold at 102 rupees per maund, on September 1, 1948, but it was 93 rupees in July 1949, 80 rupees on September 28, and 75 to 78 rupees on October 28. The price later rose to 98 rupees under the pressure of French purchases, but declined to 84 rupees on December 1, closing the year at 86 rupees.

Sales to continental Europe were maintained satisfactorily and the United States was a consistent buyer of Desi short staple, but India and the United Kingdom were out of the market during the second half of 1949—in the case of the latter country, because of a dispute with the Raw Cotton Commission in Liverpool over arbitration methods. Including the 60 rupees per bale export duty, the Pakistan export market price has been above the American price level.

Wheat

The 1948-49 wheat crop, mainly harvested in May, was very satisfactory at 4,103,000 tons, a gain of about 25 percent over each of the two previous yields. The year ended with an export surplus of between 400,000 and 500,000 tons after shipments of 178,000 tons to East Bengal and small provision for the Northwest Frontier Province. As the acreage of 10,824,000 had increased only about 8 percent over acreages of the last two crops, the gain was largely attributed to better acquaintance with the land and improved farming methods on the part of the refugees who had settled in the Punjab after the migrations which followed partition. All authorities agreed that the 1950 crop would be good, although all did not agree that it would exceed the bumper crop of 1949. There is reason to believe that future yields will continue well above the lower levels of 1947 and 1948.

Prior to partition, the Punjab supplied a considerable part of the wheat requirements of northern and western India, but shipments in 1949 were largely prevented by the prevailing economic and political relations. Up to the year's close, total exports were valued at slightly over 6,000,000 rupees and imports from Russia before the May harvest were estimated commercially at 93,347 tons. It was officially stated at the year's end that inquiries from potential buyers indicated that the surplus would be exported.

Rice

The rice crop of 8,429,000 tons was more than 14 percent larger than that of the preceding year, with the acreage of 21,545,000 up about 2.4 percent. Although there were floods in East Bengal in May 1949, which adversely affected the 1949-50 crop, the final crop figure may show an increase beyond the estimate of 7,120,000 tons for that Province, the center of production, compared with the 1948-49 crop of 7,673,000 tons. Similarly, the total acreage may have exceeded the figure of 20,684,000, judging by the conservative character of previous official estimates. Prices in west Pakistan were stable throughout the year at a level of about 11 to 14 rupees per maund, although prices in East Bengal in the first 9 or 10 months were in some districts as high as 40 to 50 rupees, exceeding the difference in transportation costs by a wide margin. During the year, 63,000 tons rice, valued at 24,773,000 rupees were imported into eastern Pakistan, mainly from Burma.

Other Food Grains

The minor food grains—gram, barley, bajra, maize, and jawar — also contributed to western Pakistan's improved food supply as 85-99 percent of Pakistan's production of each is grown in that area. In 1948-49 the total yield was 1,977,000 tons from 7,886,000 acres as compared with 1,652,000 tons from 7,144,000 acres in the preceding crop year. Part of the larger yield was due to the acquired experience of the new refugee farmers,, with some part also the result of plantings after floods had ruined rice fields. The food supply was also angmented by imports in 1948 of 14,800 tons of flour and 8,739 tons of barley from Australia; 2,034 tons of oats from Australia and Russia; and 15,933 tons of maize from Russia and Canada.

Oilseed Crops

Output of rape, mustard, and sesame totaled 294,000 tons in 1948-49, compared with 282,000 in the preceding year, and was obtained from 1,707,000 acres against 1,612,000 in 1947-48. Pakistan is not self-sufficient in vegetable oils; imports of coconut oil for the year ending 1949 were 2,695,345 imperial gallons (mainly from Ceylon and Malaya); peanut oil, 107,391 gallons; and mustard oil, 29,473 gallons. Pakistan exported 75,842 tons of cottonseed, primarily to India in the year ending March 1949. The Punjab Agricultural Department is seeking to increase the peanut crop, now small, in its least arid districts. Linseed production decreased from 13,000 tons in 1947-48 to 12,000 in 1948-49, although acreage remained at 74,000; the first forecast for the 1949-50 crop was 75,000 acres.

Sugar

Sugarcane acreage and yields have increased steadily—acreage, from 653,000 in 1946-47 to 714,000 in 1948-49, and plantings for 1949-50 were at 737,000 acres; yields of raw brown sugar or gur similarly gained, from 850,000 tons to 1,019,000, and the estimated yield for 1949-50 in west Pakistan was placed at 1,100,000 tons and in east Pakistan at 30,000. Sugar-refining capacity is scheduled for considerable expansion as the new Premier Sugar Mills at Mardan in the Northwest Frontier Province will have an annual capacity of 50,000 tons. In the year ended October 1949, the Government imported 127,700 tons of white sugar; commercial imports totaled 11,721 tons, mainly from the United States and Mexico. The officially estimated production in east Pakistan from date palms and other sources has remained stationary at 113,000 tons in the last few years.

Tea

The tea crop for the April-December 1949 season was officially estimated at 33,600,000 pounds, but the trade estimated it at 45,000,000. Out of total 1949 exports of 26,451,313 pounds, it is estimated that 20,000,000 were ship-

ped to the United Kingdom, but the trade claims that both figures are 10,000,000 pounds too low. However, some difficulty was encountered in mixing teas solely from east Pakistan gardens, as formerly Assam and East Bengal blends had sales appeal in the British market. Three factories were established during the year and one warehouse at Chittagong was scheduled for completion. Six auctions were held in Chittagong between July and December, with fair to good results. As a member of the International Tea Agreement, Pakistan has an allotment of 76,700 acres with prospects of a slight increase. A production goal of 50,000,000 pounds for the next 5 years was set by a meeting at Decca of tea growers and merchants with the Secretary of the Ministry of Commerce. In January 1950, a Tea Act was passed, consolidating previous Indian legislation and setting up a national committee for the licensing and marketing of tea. Supported by an export duty of 1 rupee 6 annas (about $0.42, United States currency) per 100 pounds, the Board was also organized for research and promotion of tea sales and consumption.

Tobacco

The annual production of Virginia tobacco, estimated roughly at 100 tons, is of relatively slight importance. The Tobacco. Co hopes ultimately to replace the annual imports of leaf from India valued at 2,300,000 rupees, but imports of American tobacco will be necessary for an indefinite period. Cigarette production is about 800,000,000 units yearly toward consumption of 3,000,000,000.

Livestock and Products

The latest available estimate shows that there are, in millions, the following livestock in the country: Cattle, 20.3; buffaloes, 5.39; goats, 7.79; sheep, 4.85; mules and donkeys, 1.28; horses and ponies, 0.6; and poultry, 29.75. With the exception of cattle and poultry in eastern Pakistan, most of the livestock are in west Pakistan.

Wool.—The wool clip in 1949 was about 26,000,000 pounds, virtually unchanged from the 1948 total. Exports totaled 21,243,174 pounds, valued at 28,464,894 rupees. The only important markets were the United Kingdom, which took 12,319,040 pounds valued at 16,211,285 rupees, and the United States, taking 6,670,867 pounds worth 9,030,939 rupees. The remaining 2,253,267 pounds valued at 3,222,670 rupees were shipped to 12 countries, 7 of which were European. Although direct shipments to the United States decreased by nearly 50 percent in 1949, local traders have stated they believe that considerable wool was transshipped to the United States, as other destinations have represented the first step in a series of transactions to obtain "hidden" dollars. Moreover, American purchases of Pakistan wools at the Liverpool auctions were larger than usual. Compared with a normal flow of about 6,000,000 pounds of Afghan wool through Karachi, unpublished statistics reveal a decrease to slightly under 1,000,000 pounds in 1949, attributable to the diversion of Afghan clip to Russia and other markets.

Plans were completed in November for a conditioning house to test raw wool for yield, grease content, and other factors prior to the issuance of quality certificates. A scouring plant is under consideration.

Hides and skins, and fur and fancy skins.—The official estimate of the annual hides and skins production for 1949, in thousand pieces, is: Kip hides, 4,539; buffalo hides, 610; sheep-skins, 2,391; goatskins, 5,173; and fur and fancy skins, 1,903. The provisional 1949 sea-borne exports, which are probably 95 percent of the total, were: Hides, 1,624,584 pieces valued at 15,974,374 rupees; skins, 7,869,497 pieces valued at 15,081,879 rupees. Despite increased exports to the United Kingdom and Europe, shipments in the 8 months, January-August 1949, of 1,010,331 skins and 288,613 hides represented a decrease from the comparable 1948 period.

Bones and bonemeal.—Exports of bones and bonemeal from Karachi in 1949 totaled 23,197 tons valued at 4,533,198 rupees, of which 16,024 tons valued at 3,151,703 rupees went to the United Kingdom and 2,589 tons worth 610,759 rupees were shipped to the United States.

Forestry

Of a total land area of 148,200,000 acres, 6,620,000 are in forests—3,420,000 in west Pakistan and 3,200,000 in east Pakistan. By value, fuel wood is the principal product; hard woods, bamboo, and other indigenous woods are of some significance.

Fisheries

The annual fish catch is officially estimated at 202,281 tons with a value of 151,710,750 rupees. Domestic consumption is 93,000 tons, of which nearly 73,000 tons are consumed in East Bengal where fish are an important part of the diet.

The development of fisheries was discussed at a Food and Agricultural Conference in Karachi in August and September 1949. Plans were drafted, based on a preliminary report by two Danish experts, which include a national survey of fish resources; the establishment of three regional research stations in east Pakistan, the West Punjab, and Sind and two biological research stations at Karachi and Chittagong; the employment of a fisheries development expert; conservation legislation; and improvements in fishing techniques. The Ministry of Food, Agriculture and Health has established a Fisheries Development Commission, while the Provincial Governments of East Bengal, West Punjab, and Sind have Departments of Fisheries which are working on development plans.

Food Problems

In 1948 the problem of food shortages centered around distribution. Large-scale rationing and the division of East Bengal into controlled surplus and deficit food areas were continued in 1949 until the very satisfactory fall rice harvest, after which supplies were so abundant as to overcome the maladjustments caused by hoarding and faulty distribution. Although Pakistan's diet, especially in East Bengal, has some deficiencies, this is a long-range problem.

The annual population increase of approximately 1,000,000 necessitates a proportionate increase in supply to maintain the present diet. Rationing continues, in the main cities and towns, with the Government as the only large purchaser of cereals and the sole holder of large stocks. On the assumption of conditions favorable for continued development, especially through irrigation and hydroelectrical expansion, food production in west Pakistan is expected to at least keep pace with population growth. In East Bengal large areas for profitable food production do not appear to be available. However, if the steady decline of recent years in jute acreage continues in that area, the corresponding increase in rice will probably result in a new high production level. With the maturity of plans for cheap fertilizers, it should be possible to raise considerably the current crop yield per acre, with a further gain in the area's diet.

Agricultural Reforms

In the West Punjab and Sind, the "Jagirdari" system, under which certain taxes are collected by landowners, was abolished and, in the Northwest Frontier Province, legislation was introduced to confer proprietary rights on tenants who now have occupancy rights that prevent eviction. A comprehensive land-reform measure was also introduced in East Bengal.

Irrigation, Drainage, and Conservation

Approximately 20,000,000 acres are under irrigation in western Pakistan, of which 9,591,709 are in the Punjab and 5,285,000 in Sind. Seven irrigation projects totaling over 8,000,000 acres are authorized or under construction, the three largest being the Kotri and Gudu Barrages in Sind with 2,700,000 and 2,000,000 acres and the Thal Project in the Punjab to irrigate 1,800,000 acres. In addition, there are numerous other smaller schemes, some in connection with hydroelectric developments. In the West Punjab, the use of tube wells is being planned to combat a serious waterlogging problem which results in a heavy saline surface

deposit that renders the land unfit for cultivation. Soil erosion is another major problem receiving serious attention. One authority states that 12.3 percent of the total area of seven important West Punjab districts is already gullied and water erosion is making heavy inroads.

INDUSTRIAL PRODUCTION

Power

Although several large hydroelectric developments are under way, or under investigation, only one hydroelectric station of any importance is now in operation—the Malakand plant in the Northwest Frontier with installed capacity of 9,600 kilowatts. The remainder of Pakistan's 77,330 kilowatts of total installed capacity is represented by 76 steam and Diesel stations.

Hydroelectric development plans call for numerous new plants, most notable being the Warsak multipurpose project with its dam 275 feet in height on the Kabul River near the Afghan border. Assuming agreement with the Afghan Government to permit backing the water into Afghanistan, a recent semiofficial publication estimates "it will generate a firm power of 7,500 kilowatts and will in addition irrigate 65,000 acres in the Peshawar district and tribal areas. The project is estimated to cost 100,000,000 rupees and will be completed in six or seven years. Work is likely to start in the near future." Other large thermal stations and certain canal hydroelectric schemes in the Lower Indus Valley are planned as a means of eventually providing a grid stretching from the Northwest Frontier to Karachi.

The Pakistan Government appears to be giving high priority to hydroelectric development in view of the absence of adequate local fuel and the handicap to industrialization from the present shortage of power in Karachi, East Bengal, and elsewhere. Diesel engines using imported fuel now power a considerable proportion of Pakistan's industries.

Cottage Industries

The number of workers engaged in small-scale or cottage industries is much larger than the employment in large-scale industries. In fact, the handloom industry alone is believed to employ more workers than all factories combined. Moreover, the exchange of population at the time of partition brought about a considerable influx of weavers, tanners, cobblers, and handcraftsmen. For this reason, the Ministry of Refugees has had to make strenuous efforts to assist the migrants to set up small-scale shops and industries. This aid has frequently taken the form of cooperative enterprises, some of which have been more successful than others. A refugee Artisan's Rehabilitation and Resettlement Corporation has been established with a capital of 30,000,000 rupees but the administrative problems of dealing with such a large number of enterprises have been difficult.

Industrial Policy and Planning

There is a high degree of national unanimity on industrial development policies. Although the Government has decreed that development in arms and ammunition, hydroelectricity, and manufacture of communication and telecommunications equipment must be carried on in Government-owned plants, the major portion of industrial development is left to private enterprise, domestic and foreign. Twenty-four other groups of industries, including all but a small number of those industries suitable for large-scale industrial development, are to be subject to Central Government planning. However, plans thus far published indicate an earnest desire by the Government to leave the widest feasible scope for private initiative. To this end the Pakistan Industrial Finance Corporation was started during 1949, as a means of channeling Government financial aid into appropriate industries. Representatives of leading industrial firms are included in the Board of Directors. Also, an Industrial Advisory Board was constituted in September whose membership comprises representatives of virtually all important industrial enterprises in Pakistan. As its title indicates, the Board acts in an advisory and consultative capacity and its findings seem to be generally respected and usually heeded by the Central Government.

The Pakistan Industrial Development Corporation, a Government-owned organization, was expected to commence operations in 1950, its first venture being jute mills. There is no present prospect that it will expand its scope to such an extent as to limit the field for private investment.

A Tariff Commission was authorized in January 1950 for the purpose of examining claims of industries for tariff protection. Its terms of reference include the consideration of alternative means of aid.

Foreign capital is specifically welcome, provided Pakistan nationals are given an opportunity to subscribe at least 51 percent of all classes of stocks and bonds in 13 leading types of industry. For other permissible industries only 30 percent of stocks and bonds need be offered for subscription by Pakistanis. The Government has also declared its intention to permit remittance of profits on foreign investments, subject to availability of exchange. Eventual repatriation of sterling capital is also provided for, but as yet there is no provision for eventual repatriation for dollar or other nonsterling-area foreign capital invested in Pakistan.

Industry Targets

Table 2, drawn from Pakistan Industry published by the Ministry of Industries, summarizes present production, capacity under development, and total projected production capacity for a number of industries.

TABLE 2.—ANNUAL INDUSTRIAL PRODUCTION & PRODUCTION TARGETS, PAKISTAN

Industry	Present capacity	Present production	Capacity under development	Capacity to be developed	Approximate prospective capacity by 1955	Anticipated domestic consumption
Cement ..... long tons	670,800	320,000	100,000	75,000	845,800	300,000
Vegetable oils ... do ..	*30,000	†89,000	62,000	—	142,000	325,000
Sulfuric acid and Glassware ..... do ..	13,200	7,200	6,000	16,800	36,000	30,000
derivatives .... do ..	330	300	12,000	3,000	15,330	15,330
Paper, carboard & pulp ..... do ..	—	—	—	30,000	30,000	30,000
Power & industrial alcohol .... imp. gals.	2,000,000	800,000	—	1,500,000	3,500,000	n.a.
Motor vehicles tires ..... number	—	—	250,000	200,000	550,000	550,000
Sugar ..... long tons	53,000	41,000	50,000	100,000	203,000	300,000
Cotton cloth & yarn ..... bales	69,000	60,000	190,000	150,000	409,000	675,000

n.a. Information not available. * Exclusive of production of numerous small-scale crushers. † Small-scale crushers produced 20,000 tons of the amount shown.

For the most part, the targets are considered in trade circles to be reasonable and capable of attainment. With a few exceptions, such as for the projected iron and steel industry, no major imports of raw materials will be required to implement the industrialization program. Pakistan planners have aimed mainly at the development of domestic resources and, in the great majority of cases, the industrial products will be consumed within the country. The skill of Pakistan handicraftsmen is most strongly exemplified by the sporting goods and surgical instrument industries of Sialkot. Given adequate opportunity for training, Pakistanis can learn to fill both skilled and unskilled jobs in the projected factories. Although Muslims provided before partition a large share of the craftsmen and certain types of railway and industrial workers, they did not ordinarily engage in large-scale industry.

MINERAL PRODUCTION

Pakistan, with a preponderantly agricultural economy, has been neither a large producer nor consumer of minerals. This comparatively minor role is indicated by an aggregate value of about 617,000,000 rupees for mineral production in 1945-46, against 5,400,000,000 rupees for agricultural production, a degree of disparity equally valid today. The mineral output in 1947 and 1948 is shown in table 3.

TABLE 3.—PAKISTAN'S MINERAL PRODUCTION IN CALENDAR YEARS 1947 AND 1948

(In tons except as indicated)

Mineral	1947	1498
Coal	335,005	*246,077
Chromite	21,692	† 17,427
Crude oil ..... barrels ..	277,520	425,543
Salt, rock (Punjab)	198,110	153,908
Stone (Punjab)	46,169	109,458
Limestone	341,653	346,908
Gypsum (Punjab)	15,474	1,000
Clay	45,444	51,567

* In 1949, to December, production was 292,910 tons.

† Approximately 15,000 tons in 1949.

The output has continued to be concentrated in west Pakistan. East Bengal produces only salt from sea water, but that area possesses coal and possibly petroleum resources that await exploration and development, as do various additional fuel and metalliferous resources of little-explored areas in west Pakistan. The trend of petroleum output is upward and, with the installation of mechanical equipment, coal production also is increasing. Other mineral items—antimony and a few other ores,—way also be produced in larger amounts in 1950, provided political as well as technical or, in some cases, marketing problems can be overcome.

Pakistan's mineral exports earned a smaller amount of exchange in 1949 than in the past because of a continuing decline in chromite output and stagnation in the rock-salt trade with India.

Since Pakistan produces only about 12 percent of the country's petroleum requirements, and about 10 to 11 percent of the coal, it must import most of the minerals, including fuels, and metals needed. Imports of oil products in the first 11 months of 1948 and 1949 are shown in table 4.

Pakistan's estimated annual requirements of coal are 3,300,000 tons, of which India normally supplies 2,500,000. Toward the end of the year India imposed an embargo on coal shipments to Pakistan which left the latter with about 3 months' supply on hand in west Pakistan and less than that in East Bengal. Pakistan immediately accelerated its search for alternate suppliers, including the United Kingdom, France, Poland, and South Africa.

TABLE 4.—PETROLEUM IMPORTS DURING 1948-49

(In imperial gallons except as indicated)

Item	1948 *	1949 *
Lubricating oils	3,539,244	1,883,743
Greases ..... pounds ..	550,748	755,550
Petroleum jelly .. do	10,714	165,908
Asphalts ..... tons ..	166	1,055
White oil	19,486	645,127
High-speed Disel oils ....)		(5,288,863
Diesel oils other than high-)		(
speed .....)		(20,605,807
Automobile gasoline .....)	n.a.	(810,121
Aviation gasoline .....)		(7,209,310
Kerosene oil .....)		(8,838,462
Furnace oil .....)		(42,298,992

n.a. Information not available.

* First 11 months.

Pakistan has sought to strengthen its mineral economy by industrial targets or goals to aument or to substitute for mineral and metal supplies at present not domestically available. Surveys of mineral resources that would be required for a synthetic ammonium sulfate fertilizer industry and for an iron and steel industry were made by parties of foreign experts and detailed investigation also were of the coal resources and of certain mineral deposits. The Geological Survey of Pakistan has commenced an expanding program of reconnaissance surveys and mapping supplemented by detailed work on certain mineral deposits. Petroleum exploration, carried out by two private concerns owned and managed by British interests, was continued throughout 1949, with successful results in proving an extension of a West Punjab oil field.

On June 1, 1949, the Regulation of Mines and Oil-Fields and Mineral Development (Federal Control) Act became effective. Pursuant to the act, a Department of Mineral Concessions was set up to administer its provisions and to stimulate and guide the mineral industry of the country. Two regulations were officially promulgated, the Pakistan Petroleum Production Rules, 1949, and the Pakistan Mineral Concessions Rules, 1949. While it is too early to judge their effectiveness until a few years of operation have elapsed, several important foreign concerns whose operations fall under their supervision have expressed satisfaction with the basic principles.

Pakistan's mineral exploration and development are to some extent retarded by lack of trained personnel and experienced operators, apart from the few well-established firms and the small number of experts whose services in the area have in some instances extended back beyond prepartition days. In 1949 steps were taken toward overcoming these handicaps and it was expected that 1950 would see further progress.

FOREIGN TRADE

The trade statistics by commodities exclude governmental import and export transactions. Such exports in 1949 were probably very small, but the official purchases included virtually all of the defense supplies. Land trade between India and western Pakistan is included only for the last half of the year and, in the last quarter, this trade was largely at a standstill, but the balance for the period was favorable to Pakistan. Similarly, the statistics do not include the land trade with Afghanistan and Iran. Trade returns also do not include the large quantities of jute and smaller quantities of wool and other commodities which, according to press reports, were smuggled into India.

With these limiting factors to be considered, Pakistan's export balance in commercial transactions in 1949 was 19,178,727 rupees. This export balance ended May 1949, according to available figures; the normal period of September through March, when heavy exports of jute and cotton build this balance, was marked by import balances. If exactly comparable statistics were available for official trade, the conclusion is that Pakistan had a large import balance for 1949, compared with a commercial export balance of 287,800,000 rupees in 1948.

Exports

Pakistan's exports in 1949 were maintained at the 1948 level of physical volume, although some prices slipped considerably and jute fell off rather sharply toward the end of the year. Nevertheless, that commodity comprised 51 percent of the exports, by value, against 58 percent in 1948, to which must be added an unknown, but considerable, amount received by Pakistan nationals for jute smuggled out of East Bengal.

As usual, cotton ranked second, exports being valued at 422,201,373 rupees. Thus the two fibers accounted for 80 percent of total exports. Table 5 shows the value of total exports, as well as imports, of the leading commodities in 1949.

Imports

The chief reason for the decline in Pakistan's commercial export balance in oversea trade was the increase in imports. Imports at Karachi rose from 776,000,000 rupees in 1948 to 944,000,000 in 1949 and Chittagong's imports, from 154,000,000 to 329,000,000 rupees. On the other hand, a decline in exports at Karachi, from 638,000,000 rupees in 1948 to 537,000,000 in 1949, was largely counterbalanced by an increase at Chittagong, from 205,000,000 rupees to 290,000,000. It is believed that imports on Government account increased to an even greater extent as the industrialization program began to get under way and as imports of equipment for hydroelectric development projects were accelerated.

TABLE 5.—PRINCIPAL EXPORTS AND IMPORTS PAKISTAN, 1949
(Thousands of rupees)

Commodity	Karachi	Chittagong	Land trade	Total
Principal exports				
Jute, raw	—	239,121	(* 109,754) († 204,313) (‡ 174,530)	727,718
Cotton, raw	414,487	4,313	3,396	422,201
Tea, black	(§)	37,860	—	37,860
Hides and skins	27,899	3,927	1,321	33,147
Wool, raw	28,465	—	—	28,465
Nonjute (East Bengal ¶ January-June)	—	—	‡‡ 73,361	73,361
All other articles	66,250	5,136	41,686	113,072
Total	537,102	290,362	**608,361	1,435,824
Principal imports				
Cotton manufactures	261,234	48,472	2,408	312,114
Cotton twist	57,922	129,107	¶¶	187,029
Machinery	69,385	14,377	2,924	86,685
Vehicles	58,673	5,055	36	63,764
Vegetable oils	29,910	21,985	8,314	60,209
Metals and ores	42,268	7,510	1,481	51,259
Woollen manufactures	16,163	631	88	16,882
Sugar	9,829	321	27	10,177
Artificial silk	5,762	837	2,622	9,220
Liquors	3,362	344	7	3,713
Imports into East Bengal ¶	—	—	‡‡ 73,414	73,414
All other articles	389,269	100,365	52,544	542,178
Total	943,776	329,006	143,864	1,416,645

* For export via Calcutta, and included as sea-borne exports in table 6.
† Rough estimate, January-June.
‡ July-December.
§ Less than 500 rupees.
¶ January-June.
‡‡ Rough estimate.
** This figure and its components for land trade are preliminary and subject to considerable revision, according to the Director of Commercial Intelligence and Statistic. With the exception of jute exports, the component figures relate only to the final 6 months of 1949. They do, however, include land trade of western, as well as eastern Pakistan, for that period. Legal exports by land, aside from jute and hides and skins, were probably small.
¶¶ Included in cotton manufactures.
Note:—Minor discrepancies in totals are due to roundings; figures not forced to add.

Cotton manufactures continued as the leading import commodity, valued at 312,000,000 rupees, followed by 187,000,000 rupees for cotton twist (chiefly for local handlooms), 87,000,000 rupees for machinery, and 64,000,000 rupees for vehicles. See table 5 for values of the leading imports.

Geographic Distribution of Trade

The United Kingdom, with 383,541,642 rupees, was the principal supplier of Pakistan's import requirements owing to the established trade pattern, the availability of sterling exchange partially out of "blocked" funds accumulated during the war, and preferential tariff treatment. Even with trade at a standstill after September, India was a close second with 378,548,463 rupees after adding 143,863,790 rupees of land-borne imports to the seaborne total of 234,720,673 rupees. The United States was in third place as a supplier, as will be noted in table 6.

Throughout 1949, Pakistan maintained import and foreign exchange restrictions. The licensable list from the dollar and other hard-currency areas has been fairly extensive and nonrestrictive in its effect on a wide range of machinery, industrial supplies and equipment, iron and steel products, basic raw materials, some foodstuffs, and other essential imports. In fact, machinery, drugs, medicines, and selected chemicals from the American-account area were licensed on an automatic basis, while open general licenses for essential commodities from sterling areas were resumed. Licenses for consumer products were available with less difficulty than in many other countries where supplies of dollar exchange were more restricted.

India was the largest market for Pakistan's exports, with a total of approximately 675,000,000 rupees land-borne and seaborne, including 194,441,791 rupees for the latter. The United Kingdom was in second place with 196,988,140 rupees and the United States third with 78,557,683 rupees. The sea-borne exports of Pakistan by principal countries and values are shown in table 6.

International Agreements

Several trade agreements were concluded with India in the first half of 1949 and with a number of other countries by the end of the year. A Russian delegation arrived toward the end of July, negotiated for several months, and then left for consultation. Argeements in late 1949 or early 1950 with France, Czechoslovakia, West Germany, Italy, and Japan promoted Pakistan exports, especially of jute and cotton, and the importation of textile and other machinery, industrial raw materials, and manufactured products.

TABLE 6.—SEA-BORNE IMPORTS INTO AND EXPORTS FROM PAKISTAN, 1949
(In rupees)

Country of origin or destination	Value
Imports	
Burma	29,996,482
Ceylon	23,081,899
China	94,976,974
Egypt	22,172,241
Indian Union	234,720,673
Iran	17,604,426
Italy	93,687,993
Japan	63,522,078
Netherlands	31,575,296
U. S. S. R.	16,587,402
United Kingdom	383,541,642
United States	127,562,344
All other countries	133,752,016
Total	1,272,781,465
Exports	
Belgium	52,056,030
France	64,639,599
Germany	47,775,731
India	194,441,791
Japan	54,426,808
U. S. S. R.	31,721,899
United Kingdom	196,988,140
United States	78,577,683
All other countries	216,610,053
Total	937,237,734

FINANCE AND BANKING

Public

In presenting the 1949-50 revenue budget in February 1949, the Finance Minister estimated a surplus of 9,900,000 rupees, derived from 1,081,900,000 rupees in gross revenue less gross disbursements of 1,072,000,000. A budgetary summary for 1948-49 and 1949-50 is given in table 7.

TABLE 7.—SUMMARY OF ORDINARY BUDGETS, 1948-49 AND 1949-50
(Millions of rupees)

Item	Budget estimate 1948-49	Revised estimate 1948-49	Budget estimate 1949-50
Gross revenue:			
Principal sources of revenue	411.0	470.0	554.3
Railways and posts and telegraphs	371.5	376.5	390.5
Other sources	114.8	109.9	137.1
Total	897.3	956.4	1,081.9
Gross expenditure:			
Defense services	371.1	402.8	472.2
Railways and posts and telegraphs	371.5	368.9	379.0
Other expenditure	154.2	180.4	220.8
Total	896.8	952.1	1,072.0
Surplus	+.5	+4.3	+9.9

Capital expenditures include 55,300,000 rupees for industrial development, 10,000,000 for agricultural expansion, and 70,900,000 for miscellaneous expenditures out of a total estimated

capital budget of 407,500,000 rupees. The chief sources of revenue in the ordinary budget were, as percentage of the total: Customs, 50; income tax (personal and corporate), 17; and Central or Federal excise tax, 10. The Finance Minister indicated the need to reorganize Pakistan's tax structure and he proposed certain changes in the customs schedule to harmonize with the country's trade position and to produce additional revenue.

Central (State) Bank operations are summarized in tables 8 and 9.

The decline in total assets of 289,600,000 rupees is largely attributable to the considerable reduction in assets held abroad. A reduction in the liability item of "Central Government Deposits" is registered. The large increase in "Investments" is due to the acquisition of more internal obligations of the Central Government as well as to the purchase of real estate for the construction of new banking quarters.

A summary of operations for the Issue Department of the State Bank is given in table 9.

TABLE 8.—STATE BANK OF PAKISTAN (BANKING DEPARTMENT)

(Millions of rupees)

Item	Dec. 31, 1948	Dec. 31, 1949	Change for period
Assets:			
Notes	23.5	31.9	+ 8.4
Rupee coins	.1	..	— .1
Subsidiary coin	..	.2	+ .2
Treasury bills ..	121.8	104.8	— 17.0
Balance held outside Pakistan *	993.3	468.7	— 524.6
Loans:			
To Government	3.7	..	— 3.7
To others	..	22.3	+ 22.3
Investments ..	78.0	279.2	+ 201.2
Other assets ...	5.2	28.9	+ 23.7
Total assets .	1,225.6	936.0	—289.6
Liabilities:			
Capital paid up	24.4	30.0	+ 5.6
Reserves	..	30.0	+ 30.0
Deposits:			
Central Govt.	592.9	480.8	— 442.1
Provincial ..	63.4	112.1	+ 48.7
Banks	147.0	218.7	+ 71.7
Other	35.2	44.5	+ 9.3
Total deposits	1,168.5	856.1	— 312.4
Bills payable ..	2.8	.2	— 2.6
Other liabilities	29.9	19.7	— 10.2
Total liabilities	1,225.6	936.0	— 289.6

* Includes cash, short-term sterling securities, and balances with the Reserve Bank of India.

Whereas sterling securities are shown at the adjusted postdevaluation value, Indian securities have not yet been written down "pending formal notification of exchange rates," and the Bank shows both sterling and Indian securities held by the Reserve Bank of India at the predevaluation figure. As and when the Indian securities and notes are written down to a postdevaluation figure, it is assumed that the holdings of "Pakistan securities" will be increased accordingly and will thus form a proportionately larger percentage of the backing of the outstanding note issue. This was the procedure followed in the latter half of 1949 when the write-down of 267,000,000 rupees in sterling securities held in Pakistan by the Bank was offset by an increase of a similar order of Pakistan securities.

TABLE 9.—STATE BANK OF PAKISTAN (ISSUE DEPARTMENT)

(Millions of rupees)

Item	Dec. 31, 1948	Dec. 31, 1949	Change for period
Liabilities:			
Notes in Banking Dept.	23.5	31.9	+ 8.4
Notes in circulation	1,673.6	1,706.8	+ 33.2
Total liabilities	1,697.1	1,738.7	+ 41.6
Assets:			
Gold coin & bullion	20.1	42.1	+ 22.0
Silver bullion ..	..	..	..
Sterling securities	566.9	575.3	+ 8.4
Indian securities*	155.6	316.4	+ 160.8
Indian notes* ..	814.4	431.7	— 382.7
Rupee coin	18.5	49.6	+ 31.1
Pakistan securities	50.0	264.7	+ 214.7
Other assets (held by Reserve Bank of India pending transfer):			
Gold coin & bullion	1.9	1.9	..
Sterling securities*	38.7	38.8	..
Indian securities*	15.3	15.3	..
Rupee coin	15.5	2.9	— 12.6
Total assets .	1,697.1	1,738.7	+ 41.6

* Held at previous value pending formal notification of exchange rates.

Under the terms of the 1-year extension of the Anglo-Pakistan Financial Agreement, by which Pakistan became a full member of the sterling area, the drawing of hard currencies of up to £12,000,000 was permitted over a 12-month period ending June 30, 1950, as compared with £15,000,000 for the preceding year. An additional sum up to £5,000,000 could be drawn on account of rehabilitation of refugees.

The most far-reaching action in the financial field during 1949 was the Government's decision not to devalue the rupee in the face of general devaluation within and without the sterling group. Economic relations with India deteriorated steadily after devaluation and reached a low mark at the end of the year with normal commercial relations, banking transactions, and inter-Dominion rail transport almost totally paralyzed.

Private

Table 10 shows the consolidated position of the scheduled banks of Pakistan.

TABLE 10.—CONSOLIDATED POSITION OF THE SCHEDULED BANKS OF PAKISTAN

(Thousands of rupees)

Date	Demand liabilities (a)	Total demand and time liabilities (b)	Percent of (a) to (b) (c)	Total cash & balance with State Bank (d)	Percent of (d) to (b) (e)	Total advance & bills discount (f)	Percent of (f) to (b) (g)
December 31, 1948	909,694	1,079,090	84.3	171,570	15.9	394,073	36.5
July, 1, 1949	898,495	1,082,300	83.0	236,600	21.0	409,200	37.8
December 30, 1949	903,151	1,108,905	81.5	250,234	22.5	444,523	40.1

The institutional structure of private finance strengthened considerably during 1949. The commercial banking system recovered materially after the paralysis resulting from partition, though there is further room for improvement and expansion of facilities and services. A stock exchange was organized providing regular quotation in shares and commodities, although by far the greater interest has been shown in the commodity market. As a result, the view is widely held that Pakistan capital is attracted more toward commercial and trading ventures, with a relatively rapid turnover of goods and money, than to long-term capital investment. In an effort to attract into the latter channel, a Government - sponsored Industrial Finance Corporation was established with an authorized capital of 20,000,000 rupees to prime the investment pump. An Investment Inquiry Committee was initiated by the Government early in 1949 to investigate the whole picture of investment in Pakistan. Although its findings have not yet been released, writings and speeches from private and public sources alike make it clear, to quote one writer, that "Pakistan capital is shy and cannot supply the whole of the requirements in the years to come." Investment declined from 70,000,000 rupees in July-September 1948 to a new low point of 20,000,000 rupees for April-June 1949. The Government estimates that the total capital required for industrial development over the next 10 years is 3,000,000,000 rupees.

During the year the principal banking legislation was the Banking Companies (Restriction of Branches) Act (1946) Amendment Ordinance, 1948, under the provisions of which it became obligatory for banks to obtain the approval of the State Bank before opening branches. Under the Banking Companies (Control) Act, 1948, the State Bank was given powers to control the operations of all private banks; the main provisions are that all banks should keep 20 percent of their time and demand liabilities in the form of liquid assets and that they must maintain such percentage of these liabilities within Pakistan as may be prescribed by the State Bank, but not exceeding 75 percent. The National Bank of Pakistan was created in November 1949 with authorized capital of 60,000,000 rupees for the

purpose of advancing and lending money upon security of stocks, debentures, and "goods." The chief function of the bank is to lend money against jute to facilitate marketing. It is expected that the Government will subscribe 25 percent of the shares and private capital, the remainder.

LABOUR

Today, out of Pakistan's total estimated population of 80,000,000, only 662,000 persons or less than one percent, are employed in nonagricultural labor pursuits. The breakdown by industry is as follows:

Merchant marine	125,000
Manufacturing plants	200,000
Railways	150,000
Tea plantations	150,000
Mines	7,000
Docks	15,000
Others	15,000

No precise figures on unemployment are presently available, partly owing to the refugee settlement situation which, though greatly improved, is not yet completely satisfactory. To the normal seasonal unemployment among agricultural workers must now be added an undetermined percentage of the 2,000,000 net gain in population to west Pakistan as a result of the exchange of population which brought in a large number of land workers. Still another segment of the refugee influx are cottage industry workers, and the increased unemployment in this group is reported as "considerable."

Membership claims of the four labor union confederations total 360,000, or over 50 percent of the industrially employed. Geographically, the highest degree of unionization is in East Bengal, followed by Punjab, the Karachi Administration, the Northwest Frontier Provinces, and Sind. The Government is now taking a census of trade union membership to aid in recognition, under existing law, of the representation of the various groups. Union membership distribution is estimated as follows:

Railways	136,855
Posts and telegraphs	41,580
Docks and ports	25,600
Tea plantations	24,530
Textiles	17,465
Engineering	13,100
Mines and oil fields	7,600
Jute presses	6,800
Seamen	3,800
Municipalities	3,700
All others	79,000

From partition (August 15, 1947) to the end of 1948 in east and west Pakistan, respectively, there were 69 strikes, involving 40,506 workers and 130,000 man-days, and 12 strikes, involving 10,000 workers and 22,000 man-days. From January 1, 1949, to September 30, 1949, in east Pakistan there were 48 strikes involving 28,837 workers and 77,442 man-days.

From partition to the end of 1948 East Bengal, with its relatively high degree of organized labor but relatively low economic level had, compared with west Pakistan, six times as many strikes involving four times the number of workers though it possesses only one-fourth the number of nonagricultural workers. This disproportionate amount of strife among the workers in East Bengal is especially significant in view of the fact that a large percentage of the nonagricultural workers there are employed in the jute industry and in transportation as railway and dock workers.

The Government has established a permanent Tripartite Labor Conference to advise the Government on labor and legislation, and a Standing Labor Committee which will examine labor problems, offer suggestions to the Conference, and receive proposals from the Conference for study. Both bodies are headed by the Minister of Labor and include representatives of employees, employers, and the Government. The Conference will meet once a year in Karachi and the Committee may meet anywhere in Pakistan and whenever it deems desirable.

Factors impeding strong unionism are: The seasonal nature of nonagricultural labor and, in the case of ginning and pressing mills, lack of finances to conduct normal activities and to establish welfare funds, general suspicion of organized labor, lack of education of the individual worker, and activities of employment brokers whose remuneration is in direct proportion to the labor turn-over.

TRANSPORTATION AND COMMUNICATION

Railways

Statistics disclosed by the Minister of Communications in December indicate that the end of 1949 found the revenue of the two railway systems in Pakistan stronger that at any time since partition. Also significant was the year-end declaration by the General Manager of the East Bengal Railways that the financial position of that road is now sound and "rapidly improving." Table 11 summarizes combined railway operations.

TABLE 11.—RAILWAY FINANCIAL OPERATIONS, FISCAL YEARS 1947-48, 1948-49, AND FIRST SIX MONTHS, OF 1949-50.

(In rupees)

Item	1947-48 Apr.-Mar.	1948-49 Apr.-Mar.	1949-50 Apr.-Sept.
Revenue	158,000,000	358,000,000	219,000,000
Expenditure	176,000,000	321,000,000	174,.....
Balance	—18,000,000	+37,000,000	+45,000,000

It is generally conceded that the favorable revenue position is attributable mainly to increased traffic. Traffic statistics for fiscal 1947-48, the latest available, were: Tons of freight hauled, 10,566,264; freight-ton miles, 1,978,-814,128; passengers carried, 98,840,491; passenger-miles, 4,334,214,473.

The rolling-stock position of these roads is given as: North-western Railway, 817 locomotives, 2,292 passenger coaches, 23,555 freight cars; East Bengal Railway, 430 locomotives, 1,707 passenger coaches, 13,100 freight cars. Over-age equipment (over 30 years for coaches and 35 years for locomotives) is shown as: Northwestern Railways, 240 locomotives and 655 cars; and East Bengal Railway, 126 locomotives and 500 cars.

The program for rolling-stock replacement for these systems is as follows: Northwestern Railway, 60 locomotives, 300 passenger coaches, and 1,000 freight cars at an estimated total of 63,000,000 rupees; and East Bengal Railway, 250 passenger coaches and 1,000 freight cars at an estimated cost of 42,000,000 rupees.

Airways

Pak Air Limited and Orient Airways Limited maintained their private ownership status throughout the year despite repeated reports of their imminent nationalization and amalgamation. Subsequent to a Pak Air plane crash in November 1948, the company contracted the services of an American firm to handle certain of its maintenance and operational functions and to provide it with parts and equipment. Although the company's general efficiency increased materially, it suffered an even worse air disaster on December 12, 1949, wherein 27 persons lost their lives. Operations were canceled indefinitely pending an official inquiry.

Table 12 shows the monthly mileage flown by the respective air lines on their scheduled services during the period January-June 1949. Passenger and freight statistics are not available.

Reports are current that Pakistan has plans for the eventual establishment of an air line operating between Karachi and London, serving intermediate points. At present the Government of Pakistan charters planes for a limited number of flights between Karachi and London.

TABLE 12.—FLIGHT MILEAGE, JANUARY-JUNE 1949, OF PAKISTAN'S AIR LINES

Month	Pak Air Limited	Orient Airways Limited
January	—	147,060
February	91,420	112,210
March	104,580	109,850
April	97,320	125,130
May	90,320	120,240
June	64,010	113,110
Total	447,650	727,600

Pakistan Aviation Limited, a mixed-capital aircraft repair and maintenance organization, was inaugurated in Karachi in November 1949 after a year of organizational prelude. According to a Government statement the company was "formed to be the civil repair organization of the Royal Pakistan Air Force (RPAF) and the nucleus of the civil aeronautical engineering industry of Pakistan

which would also form the essential backing for the RPAF in time of war." Two-thirds of the capital has been furnished by the Government; the other third is private. The company employs about 300 persons of whom some are non-nationals, mostly British.

Early in 1949 the Civil Aviation Department was transferred from the Ministry of Communications to the Ministry of Defense. In September a new high-intensity runway and approach lighting system was installed at the Karachi Airport and some progress has been made to achieve self-sufficiency in the airport's electric supply. The Government announced in the latter part of 1949 that it was completing plans for the expansion and improvement of the airports at Dacca and Chittagong for the use of the Royal Pakistan Air Force as well as domestic and international air lines.

There are three flying clubs in Pakistan, all of which receive some financial assistance from the Government. They are the Karachi Aero Club with eight planes, the Northern India Flying Club at Lahore with eight planes, and the recently organized East Pakistan Flying Club with six planes. In the first 6 months of 1949 these three clubs had flown, respectively, 1,316, 700, and 320 hours.

The Pakistan Government signed bilateral air agreements during 1949 with Denmark, the United Kingdom, Norway, Australia, Ceylon, and the Philippine Republic.

Shipping and Seaports

The present merchant fleet of Pakistan amounts to about 120,000 deadweight tons, including time-charter vessels. This fleet is employed solely in carrying goods and civil supplies between west and east Pakistan and a small amount of trade with India, but virtually all of Pakistan's foreign trade is carried in foreign bottoms.

With a view to adding tonnage to the Pakistan fleet through foreign purchases, the Government allots foreign exchange to the two principal shipping companies in Pakistan. An amount of $2,500,000 was earmarked within the year for expenditure in the dollar area, although most of the negotiations for purchases during 1949 were reported to be conducted in the sterling area. Pakistan's most immediate need is one passenger ship for east-west Pakistan transport. The organization of a domestic shipbuilding industry is not included in the Government's 5-year industrial development plan.

The principal legislation concerning shipping during 1949 (actually passed early in January 1950) was the Control of Shipping (Amendment) Bill, to protect Pakistan shipping and encourage expansion through power to regulate all shipping in the coastal trade. The definition of coastal trade in the new act is "the carriage by water of passengers or goods between any port or place in Pakistan and any other or place in the Indo-Pakistan subcontinent."

Aside from the shortage of cargo and passenger vessels, the most serious unsolved problem in the shipping field is the expansion and improvement of the port facilities of Chittagong, where the volume of traffic since partition has been considerably out of proportion to the capacity to handle it satisfactorily. To the normal volume has been added the extraordinary demands arising from the economic conflict with India. Hence, the development of Chittagong has assumed special importance. If the Indian coal embargo is indefinitely prolonged, additional tonnage of essential coal imports will also have to be cleared.

In 1949 two mooring jetties were added at Chittagong to the original four, and two more have been ordered for installation in the near future. The expansion of storage space by 60,000 square feet has also been accomplished. The 3-year development plan includes the construction of nine jetties and expansion of marshaling yards, railway sidings, storage accommodations, residential quarters, and roads. An American technician was employed late in the year to supervise certain phases of the port's operations and development.

While Chittagong has a monthly capacity of 120,000 tons, actual volume was well below that figure. Peak volume was attained in December 1949, when 108,000 tons were handled; this was double the tonnage of December 1948 and considerably better than the 75,000 tons handled in October 1949. The turn-round time presently runs from 30 to 90 days, although priority cargo receives expeditious treatment. Supplementary anchorage in the Barisal coastal area, the procurement of a flotilla of barges for use in shallow water areas, and the "rationalization" of rationing of the number of ships visiting the port are being considered by the Government with a view to increasing the port's capacity and efficiency.

Roads and Highways

Roads in Pakistan are classified as national highways, provincial highways, and district roads and rural roads. The latter are of local importance and serve as feeders. Road development is under provincial jurisdiction, but nationalization of roads or control by the Central Government has been considered as a possible national roads policy. According to the latest available official statistics, there are 55,913 miles of improved roads in the country, of which 48,119 are unmetaled, 5,569 are modern surfaced, and 2,225 are macadam type. Of the total, 35,413 are in western Pakistan and 20,500 in eastern Pakistan.

Like the railway system, the roads in east Pakistan are handicapped in serving the area's needs since the focal point of commercial and general traffic has moved from Calcutta to Chittagong. With a view to correcting this condition, a 5-year road-building plan, involving the construction of 5,000 miles of various types of roads at an estimated outlay of 360,000,000 rupees, is under preparation. Smaller projects were approved by the Government of east Pakistan in 1949 which will involve an estimated outlay of 40,000,000 rupees. The question of how the Central Government and the Provincial Government will share the expenditures of the road building program has not been finalized.

Telecommunications

The year 1949 was characterized by developments to make direct telecommunication connections. The following links were completed: Karachi-New York, radiotelegraph, April 25, 1949; Karachi-London, direct telephone line, June 1, 1949; east Pakistan-oversea radiotelephone links via west Pakistan, August 15, 1949; Karachi-Cairo, radiotelephone, November 25, 1949.

Pakistan already had a direct telephone link with Kabul, and is preparing to link up in the near future with Teheran and Switzerland. Radiotelephone connections can be made with the trans-Atlantic vessels *Queen Mary*, and the *Amsterdam*.

The mileage of telegraph and telephone lines and wires is estimated at 185,893, while the number of telephones is approximately 15,000. Plans have been adopted for an additional 13,000 telephones.

THE TELECOMMUNICATION EQUIPMENT INDUSTRY OF JAPAN

History of the Industry

In Japan the telecommunication equipment industry saw a rapid development after the Meiji Restoration, when the Japanese Government decided to take exclusive control and operation of the telecommunication service of the country with a view to rapidly expanding the service. The manufacture of telecommunication equipment in Japan was first begun in 1872, when a factory operated by the then Engineering Ministry (the forerunner of the Communications Ministry) undertook the imitative production of telegraphic instruments imported from abroad. At that time almost all of the necessary telecommunication instruments were imported from the United States and Britain.

However, with the adoption of a full-scale expansion policy for the telecommunication service following the establishment of the Communications Ministry in 1885, the demand for telecommunication equipment rapidly increased. Since dependence on foreign-made equipment would necessitate remittance of valuable foreign exchange and also require a long time for its procurement, there grew a movement to supply the necessary equipment by domestic production. First of all, the manufacture of parts for wire telecommunication equipment was undertaken, which was followed in 1897 by the manufacture of telegraphic and telephone apparatus. It was in this period that such prominent makers as the Oki Electric Co., Ltd. (established in 1881) and the Nippon Electric Co., Ltd. (established in 1898) began the manufacture of telegraphic and telephone apparatus. Along with the continued expansion and development of the telecommunication service in the subsequent period, the market for telecommunication equipment remained comparatively steady, thereby enabling the telecommunication equipment industry to make good progress. Between 1910 and 1915 the industry steadily developed to the extent of not only filling the domestic demand in competition with foreign makers, but also exporting its products to China, including Manchuria (See Table I).

As shown in the foregoing paragraph, the telecommunication equipment industry of Japan first developed as a wire telecommunication equipment industry along with the development of the telecommunication service of the country. With the invention of the wireless telegraph in 1895, the crystal detector in 1907 and the vacuum tube thereafter, wireless telegraphy also was taken into the Japanese telecommunication service. Thereupon, the domestic manufacture of wireless telecommunication equipment was also undertaken in Japan after 1912. Especially upon the commencement of radio boardcasting in Japan following the establishment of the Japan Broadcasting Corporation in 1925, the demand for radio receivers and vacuum tubes rapidly increased, with the result that there came into existence makers specializing in the manufacture of radio receivers and vacuum tubes. Not to miss this chance, the prominent makers of wire telecommunication equipment also undertook the manufacture of radio receivers and vacuum tubes and thereby established a relatively stable business foundation. It was in this period that the Japanese telecommunication equipment industry apparently established a stable foundation as an industry.

TABLE I.

INDICES OF DEVELOPMENT OF THE TELECOMMUNICATION EQUIPMENT INDUSTRY

(Amounts in millions of yen)

Year	Production	Export	Import	Percentage of the production of telecommunication equipment to the total production of machinery
1950	*	67	46	*
1907	*	104	106	*
1912	*	43	152	*
1917	*	529	61	*
1919	*	630	265	*
1924	*	143	4,338	*
1926	*	251	9,811	*
1929	13,826	919	3,821	2.0
1931	15,866	521	1,223	3.2
1933	26,995	2,835	2,971	3.0
1935	37,416	5,067	1,576	5.3
1937	80,746	7,288	1,938	3.1
1939	195,944	4,200	1,787	4.5
1940	227,055	21,892	4,401	3.3
1941	277,627	18,184	166	3.0
1942	440,197	8,604	2,251	4.1

* Unknown

Note: See Tables III and VI for figures after 1942.

Source: Production figures from the Factory Statistical Tables; export and import figures from the Foreign Trade Return of Japan.

During the years 1926 to 1930 the production of telecommunication equipment fell into a slump owing not only to the general business depression, but also to the slowing down of expansion projects for telecommunication facilities due to the change adopted by the Communications Ministry, the principal user of telecommunication equipment, in the method of raising funds needed for financing such projects. Whereas theretofore government bonds had been issued to finance such expansion projects, thereafter the cost of installation was charged to the subscribers to the telecommunication service.

However, with the recovery of general business conditions under the munitions inflation following the outbreak of the Manchurian Incident in 1931, the Communications Ministry readopted the method of issuing government bonds for financing expansion projects for telecommunication facilities. Accordingly, as the demand for telecommunication equipment rapidly increased, its production increased at a rapid tempo. With the development of the Manchurian Incident into an overall Sino-Japanese war in 1937 and further into the Pacific War in 1941, the telecommunication equipment industry, with the exception of the radio receiver division, received, as a criical munitions industry, state protection with respect to the allocation of materials and funds. As a result, the production of telecommunication equipment steadily increased. With the backing of the military authorities, some exports were made to Manchuria and China (see Table I).

In this way the telecommunication equipment industry of Japan steadily increased the volume of its production during the wartime in order to meet the military requirements. From the standpoint of quality, however, the whole industry, with the exception of a part, fell considerably behind those of the other countries, especially the United States and Britain, owing to the stagnation of technical research during the wartime.

At any rate, the scale of operation was greatly enlarged, as may be judged from the fact that the number of factories increased from 306 in 1938 to 695 in 1941, and the number of employees rose from 37,606 to 55,946, a nearly two-fold increase, during the same period. As the war damage sustained by this industry was rather slight, a considerable productive capacity still remained at the time of Japan's surrender in August 1945.

Characteristics of the Telecommunication Equipment Industry

The telecommunication equipment industry includes divisions having considerably different characteristics from each other. First of all, the industry may be divided into the wire telecommunication equipment division and the wireless telecommunication equipment division. The latter may be further subdivided into (1) general wireless telecommunication equipment division (manufacture of broadcasting transmitters, marine wireless apparatus and meteorological wireless apparatus), (2) radio receiver division, and (3) vacuum tube division. Each of these has its own characteristics considerably different from each other. In this article, however, the general characteristics of the Japanese telecommunication equipment industry as a whole will be considered.

Firstly, the predominant position in this industry is held by the large makers. This is especially so in the wire telecommunication equipment division. Although this is not so clearly discernible in the wireless telecommunication equipment division, it is said that the large makers of superior standing (especially those having for-

eign affiliations), who practically control the production of vacuum tubes (the main component of wireless equipment) have dominated and led the development of the telecommunication equipment industry through the monopolistic control of the production of the main components of the products put out by this industry (see Table II).

TABLE II
COMPARATIVE POSITION OF THE LEADING MANUFACTURERS OF TELECOMMUNICATION EQUIPMENT

Wire telecommunication equipment Manufacturer	Percent	General wireless telecommunication equipment Manufacturer	Percent	Radio receivers Manufacturer	Percent	Vacuum tubes Manufacturer	Percent
Nippon Electric	29.6	Nippon Electric	16.0	Matsushita Electric Appliance	16.9	Tokyo Shibaura Electric	39.2
Oki Electric	17.4	Nippon Wireless	11.7	Nanao Wireless	13.2	Nippon Electric	18.2
Fuji Communication Equipment	12.7	Tokyo Shibaura Electric	6.4	Hayakawa Electric	12.9	Kobe Industrial	7.7
Hitachi, Ltd.	6.4	Dengen Industrial	5.2	Yamanaka Electric	11.1	Miyata Electric	5.0
Tokyo Shibaura Electric	1.1	Tokyo Shibaura Electric	5.1	Hachio Wireless	4.5	Toshin Electric	4.8
Sub-total	67.2	Sub-total	44.4	Sub-total	58.6	Sub-total	74.9
57 others	32.8	29 others	55.6	38 others	41.4	25 others	25.1
Total	100.0	Total	100.0	Total	100.0	Total	100.0

Note: The percentages in this table were computed from the production figures for the second quarter of 1949 based on the survey by the Telecommunication Division, Machinery Bureau, Ministry of International Trade & Industry.

Secondly, many of these large makers of superior standing have been financially and technically affiliated with foreign corporations, from which they have received technical and material assistance. For instance, the Nippon Electric Co., Ltd. was established in 1899 as a joint American-Japanese enterprise in accordance with the wishes of the International Standard Electric Co. Ever since, the company has developed its business under the guidance of this American company. Likewise, the Tokyo Shibaura Electric Co., Ltd. and the Fuji Communication Equipment Co., Ltd. have collaborated with the General Electric Co. of the U.S.A. and the Siemens-Schuckert Werke AG. of Germany, respectively. Thus positive assistance from foreign affiliates enabled the Japanese telecommunication equipment industry to acquire a firm foundation as a modern industry and to attain the world's technical level relatively earlier than the other Japanese engineering industries.

Thirdly, this industry has heavily depended upon the government budget. This dependency, which has been especially conspicuous in the wire telecommunication equipment division and the general wireless equipment division, has been regarded as the predominant feature of the telecommunication equipment industry of this country. That is to say, these two divisions have been decisively affected by the amount of the government budget for telecommunication facilities because of the facts that (1) the telecommunication service of Japan has been operated by the state from public utility and national defence (in the prewar period) standpoints and hence the appropriation for the construction of telecommunication facilities has been provided from the national budget and (2) the principal users of wire telecommunication equipment and general wireless equipment have been almost wholly Government agencies, such as the National Railways, National Police and the Weather Bureau. While these circumstances had disadvantage of always restricting the domestic market within a definite limit and preventing the further cultivation of markets, they had on the other hand the advantage of always guaranteeing a fixed volume of demand. In the past this advantage more than offset the disadvantage.

At the present time government agencies account for 90% of the demand for wire telecommunication equipment and 35% of the demand for wireless equipment (including radio receivers and vacuum tubes), as compared with 10% and 65%, respectively, accounted for the private agencies. [1]

The above cited three features of this industry are closely interrelated to one another. When the telecommunication service of the country was placed under the exclusive operation of the government and its expansion projects were commenced, private companies were prompted to undertake the manufacture of telecommunication equipment in anticipation of the stable demand for such equipment. Taking this opportunity, foreign capital aggressively entered this industry and since then the Japanese telecommunication equipment industry has developed under the constant technical guidance of foreign manufacturers. Moreover, since a high technical efficiency is required for the production of the principal components of telecommunication equipment and since a fair degree of mass production is necessary, those large makers who had affiliations with foreign manufacturers were in the most advantageous position. Furthermore, the fact that the industry relied mostly on the demand from government agencies gave advantage to the large makers by virtue of the standardization of specifications, certainty of delivery and the superiority of their products. The foregoing three features were formed during the course of the development of the Japanese telecommunication equipment industry, and they should be of much significance in considering the future of this industry.

[1] The foregoing percentages have been computed from the amounts of orders on hand as of Dec. 31, 1949. It is believed that there will be no material difference even if the figures for the whole year are taken as the basis.

Postwar Production and Export

Production.—At the time of Japan's surrender, the telecommunication equipment industry still had a substantial productive capacity. Immediately after the surrender, the various makers of telecommunication equipment turned to civil production, but effected no drastic reduction in the scale of production in view of the wartime depletion of telecommunication facilities. On the contrary, the postwar production rapidly increased under the encouragement of SCAP, which issued a directive to the Japanese Government urging the early restoration of telecommunication facilities and the wide diffusion of radio broadcasting.

As shown in Table III, the production of both wire and wireless telecommunication equipment rapidly increased in the postwar period. The increase was specially conspicuous in the 1947 and 1948 fiscal years because of the full-scale production effected in these years under the government's encouragement policy based on SCAP directive, supported by allocation of necessary raw materials by the Economic Stabilization Board. This increase can be seen from the production percentage of telecommunication equipment against the total production of all machinery manufacturing industries.

A comparison of the production of wire and wireless telecommunication equipment in the 1949 fiscal year with the prewar peak production shows the following percentages of recovery: In the wire telecommunication equipment division, the percentages of recovery were 54.1% for telephones, 227.9% for hand-operated telephone switchboards, 93.8% for automatic telephone switchboards, 240.9% for teletypes and 83% for carrier apparatus. Thus in the wire telecommunication equipment division, except for telephones, the production has either approached or greatly exceeded the prewar peak. In the general wireless equipment division, though full data are not available, it appears that production is still low, judging from the production of vacuum tubes, which is still only 21.5% of the past peak production. The slow recovery in this field

TABLE III
TREND OF PRODUCTION OF TELECOMMUNICATION EQUIPMENT
(Amounts in thousands of yen)

Fiscal year	Production of all machinery mfg. industries (A)	Production of telecommunication equipment			Percentage of B against A
		Wire	Wireless	Total (B)	
1935	1,380,558	12,591	24,591	37,415	2.7
1941	8,268,951	55,057	222,567	277,624	3.0
1945	14,426,879	130,082	499,466	629,548	4.3
1946	17,552,562	219,746	597,730	817,476	4.6
1947	83,209,084	1,573,089	2,418,375	3,991,464	4.0
1948	183,586,000	3,921,943	10,444,298	14,366,241	7.8
1949	277,493,994	4,731,369	6,138,691	10,870,060	3.9

Note: The production figures for all machinery manufacturing industries represent production according to calendar years, but it is nevertheless possible to judge the trend therefrom.
Source: Factory Statistical Tables for prewar figures and Survey by the Telecommunication Division, Machinery Bureau, Ministry of International Trade & Industry for postwar figures.

may be explained by the fact that the manufacture of wireless telecommunication equipment for war purposes had reached an enormous volume during the wartime owing to the development of electric-wave weapons. In the field or radio receivers, the production was 76.3% of the peak production, which rate of recovery was rather good for a field belonging to the wireless equipment division. In any case, it can be seen from the foregoing comparisons that the rapid postwar recovery in the production of telecommunication equipment was most conspicuous in the wire telecommunication equipment division.

However, with 1948 as the turning point, this trend of expansion in production since the war's end took a sharp downward curve thereafter. In consequence of the enforcement of the so-called Dodge program for a balanced budget aimed chiefly at the arrestation of inflation and the stabilization of the Japanese economy, the budgets for the various agencies of the Japanese Government were drastically reduced beginning with the 1949 fiscal year. Not only the production of wire telecommunication equipment and general wireless equipment, the chief purchasers of which were the government agencies, but the production of radio receivers and vacuum tubes also declined as their inventory stock increased in consequence of the sharp decrease in the demand owing to monetary stringency, once the expanded demand in the immediate postwar years had been filled.

Let us now see the profit and loss position of the makers in the face of this downward trend in production. According to Table IV showing the profit rates for the various industries, the makers of telecommunication equipment were able to realize profits, though small, in both the first term of 1946 and the first term of 1949. However, such profit figures were arrived at because in the process of sampling makers of relatively good standing were selected. The actual situation was that the greater part of the makers continued operaions at a loss owing to low ceiled prices[2], the rise in the cost of various items due to inflation and the high wages demanded by the labor unions. With the sharp decrease in demand since the beginning of 1949 as the result of the enforcement of the balanced budget, not only did the cost calculation turn worse but even the continuation of operation on the past scale became impossible. Previous to this time, many small- and medium-sized makers had either suspended or converted their operation to other lines because of their inability to continue deficit operation any further. But by this time even the large makers undertook the rationalization of operations by discharging excess workers and by reducing the scale or number of factories. Moreover, on this occasion the large makers undertook the manufacture of parts also, in addition to the principal components of their products, thus abandoning their past practice of depending on sub-contractors for the manufacture of parts. This action on the part of the large makers further deprived the small- and medium-sized makers of the foundations of their existence, with the result that the latter were obliged to shut down their factories. Table V shows that the largest decrease in number occurred in the small factories and that a heavy decrease in the number of workers occurred for the industry as a whole.

[2] For instance, whereas even in the case of subsidized ordinary steel, the price of 0.6 mm. high-grade steel as of Sept. 30, 1949 was 133.4 times the price in 1939, the price of telephones was only 73.7 times that in 1929.

At the present time the makers have generally completed the first series of rationalization measures and are now turning to the second series centering around quality improvement and renovation of equipment. It appears, however, that owing to difficulties in the way of capital funds and materials, the program has only been started. In the final analysis, the success of these rationalization measures hinges upon the size of the domestic market centering around the 1950 and 1951 fiscal budgets of the government agencies and upon the cultivation of export markets.

TABLE IV
TREND OF POSTWAR PROFIT RATES ON THE TOTAL CAPITALIZATION OF JAPANESE CORPORATIONS, BY INDUSTRIAL GROUPS

Industrial group	First half, 1946 †	First half, 1948 ‡
	%	%
All industries	0.5	2.9
Manufacturing	1.0	3.7
Ceramic	2.9	2.8
Chemical	2.0	3.9
Metal	0.02	1.1
Textile	0.4	5.0
Machinery & tools	0.9	2.2
Shipbuilding	0.8*	1.9
Automobile & rolling stock	0.7	1.7
Industrial machinery ..	3.3	3.7
Telecommunication equipment	2.6	1.2

† From August 1946 to January 1947.
‡ From June 1948 to November 1948.
* Indicates loss.
Source: Survey by the Industrial Bank of Japan.

TABLE V
POSTWAR REDUCTION IN THE SCALE OF TELECOMMUNICATION EQUIPMENT FACTORIES

Size of factory according to the number of workers	No. of factories			No. of workers		
	Dec. 1946	Mar. 1950	Increas or decrease	Dec. 1946	Mar. 1950	Increase or decrease
Less than 50 workers ..	402	138	— 264	8,505	3,529	— 4,976
„ „ 200 „ ..	60	75	+ 15	7,752	6,264	— 1,488
„ „ 1,000 „ ..	24	34	+ 10	14,786	9,559	— 5,227
Over 1,000 „ ..	13	26	+ 13	32,900	21,472	— 11,428
Total	499	273	— 226	63,943	40,824	— 23,119

Source: Based on data compiled by the Telecommunication Federation.

Export.—At already explained, the Japanese telecommunication equipment industry developed parallelly with the development of the domestic telecommunication service and was designed chiefly to meet the domestic requirements. Moreover, a number of the principal makers were affiliated with foreign manufacturers, with whom market agreements were concluded, restricting the market for Japanese telecommunication equipment to the domestic market and neighboring markets in Asia. As a consequence, Japan's volume of exports of telecommunication equipment in the prewar period was very small, the export markets being confined to China, Manchuria and the former Kwantung Leased Territory (see Table VI). Thus up to the end of the last war, export markets were of not much importance to the telecommunication equipment industry of Japan.

In the postwar period, however, the export of telecommunication equipment came to be regarded as a promising business among the machinery exports of Japan in view of the facts that (1) a large number of its parts could be worked by hand and produced from small quantities of raw materials and (2) the world's supply of telecommunication equipment was short due to depletion during the last war. Moreover, the makers themselves felt the need of giving serious consideration to the promotion of exports in view of the inadequacy of the domestic market for maintaining the wartime expanded productive capacity, under the restricted government budget based on the Dodge Line and also under the general tight money situation in this country. And yet the export record in the postwar period has remained small as ever, and the percentage of export to the output has rather declined (see Table VI). This failure of export to expand may be attributed largely to the practical suspension of trade with China, Manchuria and the former Kwantung Leased Territory in the postwar period in consequence of the inclusion of these areas under the Soviet sphere of influence. As shown in Table VII, the principal postwar markets have been Korea, Formosa and the Ryukyus, which were former Japanese possessions. Thus it appears that as yet no new markets as desired by the makers of telecommunication equipment have been cultivated.

TABLE VI
EXPORT OF TELECOMMUNICATION EQUIPMENT AND ITS PERCENTAGES TO THE OUTPUT OF TELECOMMUNICATION EQUIPMENT AND TO THE TOTAL EXPORTS OF JAPAN

Calendar year	Total exports of Japan (A)	Exports of telecommunication equipment (B)	B/A	Percentage of B to its total output
			%	%
1937	3,175,418	7,288	0.23	9.0
1941	2,650,865	18,184	0.68	6.5
1946	2,390,000	37,538	1.57	4.5
1947	9,250,377	228,947	2.47	5.6
1948	53,098,199	92,492	0.17	0.6
1949	169,309,896	168,886	0.10	0.8

Note: The large volume of exports in 1947 was a temporary phenomenon due to shipments of radio receivers to Korea in accordance with SCAP directive.

Source: The figures for 1936-1941 have been taken from the Foreign Trade Return of Japan, while those for 1946-49 have been taken from the Survey by the Telecommunication Division, Machinery Bureau, Ministry of International Trade & Industry.

At the present time three major problems confront the Japanese telecommunication equipment industry. These problems concern the quality of products, their prices and the profitability of operations.

With respect to the quality of products, this industry appears to have fallen quite behind in both the wire and wireless telecommunication divisions because of various factors, including its inability to avail of foreign technical assistance during and after the war, the deterioration of its technique during the wartime, the deterioration in the quality of raw materials and the superannuation of its equipment and machine tools. Especially in the case of radio receivers, the vacuum tubes used therein are ST tubes, which cannot be used universally as an interchangeable part, thus limiting the serviceableness of the receivers as "receivers without dry batteries and vacuum tubes." However, in the manufacture of telephones, the mass production of Automatic No. 4 Telephone perfected by the Telecommunication Research Laboratory is about to be undertaken. It is claimed that the quality of this improved telephone is quite equal to that of first-class telephones manufactured in the United States. In the manufacture of vacuum tubes also, the mass production of GT tubes is being planned and a further improvement is expected to take place as the quality of raw materials improves and operations are rationalized. For the present, however, the technical level of the Japanese telecommunication equipment industry as a whole is still quite behind that of the world, though in some aspects the world level has been reached.

TABLE VII
TREND OF EXPORTS OF TELECOMMUNICATION EQUIPMENT, BY AREAS
(In thousands of yen)

Area	1936	1937	1946	1947	1948	1949
Former Kwantung Leased Territory	4,150	5,995	0	0	0	0
Manchuria	295	569	0	0	0	0
China (other than above two areas)	766	442	85,961	17,200	4,115	0
Thailand	76	100	0	0	5,284	16,492
Hongkong	53	16	0	0	0	1,744
Korea	*	*	1,877	211,492	81,560	80,704
French Indochina	0	0	0	71	483	0
Soviet Russia	0	0	0	0	1,100	0
Formosa	*	*	0	0	0	42,700
Ryukyus	*	*	0	184	0	24,659
Others	221	166	0	0	0	2,527
Total	5,561	7,288	37,538	228,947	92,492	168,886

* No separate figures are available for the reason that these areas were Japanese possessions in the prewar period.

Source: Same as the ones cited under Table VI.

Table VIII shows the trend of the export prices of telephones (a representative product of the wire telecommunication division) and radio receivers since April 1949, when a single exchange rate was adopted by Japan for the first time after the war. By the adoption of the single exchange rate, the F.O.B. prices of telephones were somewhat reduced. The export prices further declined after the abolition of the floor price system at the end of 1949 owing probably to the shrewd bargaining of foreign buyers, who took advantage of the situation where the Japanese makers had to dispose of in the export market the surplus stock resulting from the sharp decline in the demand from government agencies during the 1949 fiscal year. Lately, however, the dollar export prices are showing a slight upward trend, as Japanese makers find no need to push export sales in view of the prospect of increased domestic demand from government agencies under the 1950 fiscal budget. The question is whether the current export prices are high or low as compared with the international prices. Full data for comparison are not available but it is reported that at a recent international secret bidding for magnetic-type telephones held in Uruguay, the c.i.f. price quoted by a Belgion maker was US$12.80 as compared with US$16.20 quoted by Japanese makers. The factory delivery price of automatic telephones quoted by the Western Electric Co. is said to be about US$11. Therefore, if due consideration is given to the quality also, the prices of Japanese products appear to be still higher than those of foreign products.

As to the profitability of operations, it appears that the wire telecommunication equipment division is able to either break even or make some profit, despite the downward trend of export prices (before the establishment of the single exchange rate at Y360 to the US dollar, the price-ratio used for setting the yen value of telephones was about Y310 to the US dollar). On the other hand, the wireless equipment division appears to be operating at a loss after the establishment of the single exchange rate (the price-ratio used theretofore was Y550 to the US dollar).

Therefore, the cost of production will be higher than the sales prices if the export prices are lowered further in order to successfully compete in the international market. The ability of the Japanese telecommunication equipment industry to successfully compete in the international market rests upon the success or failure of the second rationalization program now under way for effecting quality control and improvement of facilities. However, since the success or failure of this program depends upon the expansion of the export volume owing to the narrowness of the domestic market, as explained hereinbefore, there exists a fundamen-

THE SOAP INDUSTRY OF JAPAN

History

It was about the year 1800 that the manufacture of soap was begun in Japan, but this was limited to private manufacture by physicians for use in their own medical practice. It was not until 1873 that soap manufacture on an industrial basis was first undertaken in Japan. Since then the soap industry has developed in the two large consuming centers of Tokyo and Osaka. In 1897 a machine process was adopted for soap manufacturing and by 1905 there were 183 soap manufacturers employing an average of 6.2 persons per factory, though the highest number of employees per factory was 92 persons.

Up to the year 1911 soap waste was entirely thrown away, but in that year the Kao Sekken K. K. began the abstraction of glycerine from soap waste. In the same year the Teikoku Gyoyu K. K. was established and undertook the manufacture of refined glycerine. By 1912 hardened oil, glycerine and soap were produced on a large scale and in 1913 Lever Bros., Ltd. of Britain constructed in Hyogo Prefecture a hardened oil and gylcerine manufacturing plant with a monthly capacity of 200 tons and a soap factory with a monthly capacity of 300 tons.

With the outbreak of World War I in 1914, the oils and fats manufacturing industry of Japan witnessed a rapid development, stimulated by the suspension of imports from abroad of soap raw materials, glycerine, etc. By 1919 Japan had nine hardened oil plants with a total annual output of 10,000 tons, 286 soap plants with a total annual output of 23,000 tons and 13 glycerine plants with a total annual output of 1,000 tons.

However, after 1921 there was a growing tendency toward industrial concentrations by mergers and amalgamations of the soap and oils and fats manufacturers. By mergers and amalgamations with soap manufacturers, hardened oil manufacturers were able to produce soap from the hardened oil produced by themselves. Conversely, the soap manufacturers were able to supply by themselves the hardened oil needed for soap manufacture. Thus such soda manufacturers as the Asahi Denka K. K., Godo Yushi K.K., Nippon Soda K.K., Osaka Sansuiso K.K. and Chosen Chisso Hiryo K.K. undertook the manufacture of hardened oil and also soap. In this way, there came about the mass production of soap by large modern industrial enterprises representing the fusion of the soda and soap manufacturers. Conversely, such large soap manufacturers as the Lion Sekken K.K., Okuyama Sekken K.K. and Kao Sekken K.K. undertook to supply themselves with the hardened oil needed for the manufacture of soap. Thus arose the soap industry as a modern large-scale industry.

After 1935 there took place mergers and amalgamations by large capitalist interests. The most noteworthy among these was the entrance into the oils and fats business by the Nissan Combine, which merged the Velvet Sekken K.K. and the Godo Yushi K.K. and formed in 1937 a new company under the name of Nippon Yushi K.K. (capital stock of ¥17,500,000).

The Japanese soap industry depended largely on imported beef-tallow, copra oil and soybean oil for its raw materials. Most of the domestic raw materials were obtained from fish oil produced in Hokkaido, Sanriku and Korea. Upon the outbreak of the Sino-Japanese conflict in 1937 and the Pacific War in 1941, the import of raw materials was practically suspended, while the supply of fish oil from Korea, which was the major source of the domestic supply, sharply decreased. As a result, the production of soap, glycerine and fatty acids declined sharply. Whereas, in 1939, the peak year of soap production, there were 40 soap factories with a total annual capacity of 330,000 tons and an actual output of 263,000 tons, the number of soap factories subsequently declined to 26 with a total annual capacity of 157,000 tons, owing to enterprise adjustments effected in 1942 and 1944.

Owing to the stopping of raw material imports from abroad and the sharp decrease in the supply of domestic raw materials, soap production in the immediate postwar period further declined, the production in 1947 amounting to about 7,000 tons only. Thereafter, with the soaring of the blackmarket prices of soap and the release of oils and fats held by the military authorities, many of the smaller soap manufacturers who had been liquidated during the war resumed soap manufacturing and by March 1949 the number of soap factories had increased to 527 with a total annual productive capacity of 1,041,000 tons. Thus at one time the soap industry showed great activity. This expansion of productive facilities was due in part to the fact that allocations of raw materials were made on the basis of the facilities possessed by each manufacturer. When an advance order booking system was adopted in the latter part of 1949, the orders for soap were concentrated in the larger manufacturers, with the result that the smaller manufacturers were again liquidated. At present the number of soap factories is less than 200.

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tal contradiction which the Japanese engineering industries in general must face as export industries.

Recent Trend

It has been pointed out in the foregoing sections that one of the major problems now confronting the Japanese telecommunication equipment industry is how to cope with the situation created by the sharply reduced demand resulting from the curtailment of the budget of government agencies since the 1949 fiscal year and also to raise the quality of its products to the world's technical level in order to prepare for the future development of the industry. It has been further pointed out that, whereas the solution of the foregoing problem depends upon the success of the second rationalization program (chiefly the modernization of facilities) now under way, such rationalization program is now in a stalemate condition owing to the lack of necessary funds and that, basically, it is restricted by the narrowness of the market.

However, since the adoption of the 1950 fiscal budget (an increase of about 20% over the previous year's budget), the demand for telecommunication equipment appears to have somewhat increased owing to the passage of the Broadcasting Law [3] and also the special procurement demand and the increased demand abroad consequent upon the outbreak of the Korean War. Although it seems under the circumstances that the crisis resulting from the sharp decline in demand can be tided over somehow or other, the industry is confronted this time with the difficulty of newly procuring raw materials and supplies due to the stringent supply of and the sharp rise in the world prices of such strategic materials as iron, steel and copper consequent upon the outbreak of the Korean War. The shortage of such essential materials and the rise in their prices have rather increased the difficulty of the telecommunication equipment industry and may thereby impede the rationalization of this industry, because the demand for its products resulting from the outbreak of the Korean War has not increased so much as to offset these disadvantages.

However, among the Japanese makers of telecommunication equipment there are some who are now about to actively revive their prewar affiliations with foreign manufacturers. For instance, the Nippon Electric Co., Ltd., is reported to have concluded with the International Standard Electric Co. of the U.S.A. a provisional contract for technical assistance, etc. from the latter. If this form of affiliation with foreign manufacturers is revived one after another, the second rationalization program now in a stalemate condition will be smoothly carried out and the quality of Japanese products will be able to reach the world's technical level.

[3] When private broadcasting stations are established, as permitted by this law, the low-grade radio receivers now popularly used will have to be replaced by high-grade receivers because of the poor selectivity of the former.

Characteristics of the Japanese Soap Industry

The oils and fats industry may be divided into oil-pressing and oil-processing divisions. In the oil-pressing division, large-scale producers are found chiefly among those who produce soybean oil (practically all of this oil is used as edible oil), while small-scale producers are found chiefly among those who produce rape-seed oil and rice-bran oil from domestic raw materials. Oil-processing companies produce hardened oil from chiefly cheap fish oil and whale oil, besides some from soybean oil and rice-bran oil. Hardened oil is used as the raw material for manufacturing soap. In addition, they depend heavily on imported beef-tallow and palm oil as the principal raw materials.

Among the products of the oil-processing industry, soap is the one product to which the greatest importance is attached by the manufacturers. This is so because among the processed oil products of this country soap has the widest and most stable market and accounts for a higher percentage of the total production than hardened oil, fatty acids and glycerine in both quantity and value of production.

However, as already stated, it was the hardened oil industry which consolidated the foundation of the Japanese soap industry, and it was during the course of this development that the soap and hardened oil industries were merged with each other, especially upon the outbreak of World War I. Since the supply of hydrogen indispensable for the manufacture of hardened oil is dependent upon hydrogen derived from electrolytic soda manufacturing, hardened oil was produced as a side-line by electrolytic soda manufacturers. Herein lay the reason why electrolytic soda manufacturers undertook the manufacture of hardened oil and, going further, the manufacture of soap also. Thus in Japan soap manufacturing is carried on in many cases as a side-line by electrolytic soda manufacturers. Conversely, as the result of the undertaking of the self-supply of hardened oil by soap manufacturers, almost all of our leading soap manufacturers now possess facilities for the manufacture of hardened oil. In both cases, the larger producers carry on integrated operations from raw materials down to finished products.

Chiefly fish oil is used as raw material. During and after the last war, the Japanese soap industry was hard hit by the poor catch of sardines, but this shortage was covered in the postwar period by 20,000 to 25,000 tons of whale oil obtained annually from Antarctic whaling. At present the demand for and supply of raw materials appear to be more or less balanced.

Trend of Production and Demand

Trend of Production.—Table I shows the prewar and postwar trend of production, domestic consumption and export of soap. It is expected that the output in 1950 will recover to the annual average of 100,000 tons registered in the 1930-34 period, in which period all of the output, except 10% to 20% exported to Southeast Asia, was consumed domestically. Soap production in the 1939 peak year reached 263,000 tons, approximately double that of 1934, out of which about 35% was exported to Manchuria, China and Southeast Asia. About 200,000 tons were consumed domestically, including military requirements.

TABLE I
ANNUAL PRODUCTION, DOMESTIC CONSUMPTION AND EXPORT OF SOAP SINCE 1930
(In tons)

Fiscal year	Production	Domestic consumption	Export
1930	90,905	86,254	4,651
1931	96,419	92,575	3,904
1932	105,086	98,517	6,569
1933	117,177	103,440	13,737
1934	141,084	124,852	16,232
1939	263,714	208,772	54,942
1945	4,660	4,660	0
1946	16,364	16,364	0
1947	6,901	6,901	0
1948	24,075	24,075	0
1949	65,647	64,500	0
1950	100,000	100,000	0

Source: Based on data collected by the Oils & Fats Processing Journal.

In 1945, the year of Japan's surrender, there was practically no soap production due to the suspension of the import of raw materials and to war damage to the soap manufacturing facilities. Soap production in 1946 amounted to about 16,000 tons, which was made possible by the release of raw materials held by the military authorities and by the revival of the production of domestic raw materials. In 1947, however, soap production again decreased sharply, owing to the exhaustion of the supply of released raw materials, non-importation of raw materials, and the very small output of domestic raw materials due to the poor catch of sardines and the poor crop of oil-yielding seeds. Since 1948 the production has steadily increased owing to the increased supply of raw materials due to the success of Antarctic whaling and the satisfactory import of raw materials from abroad.

Meanwhile, the number of small manufacturers steadily increased, stimulated by the high blackmarket prices of soap and the smooth supply of raw materials. Whereas, owing to enterprise adjustments during the wartime, the number of soap factories had decreased by 1944 to 46, with a total annual productive capacity of 157,000 tons, their number increased by March 1949 to 327, with a total annual equipment capacity of 1,041,000 tons. However, the average operating rate for the industry as a whole was only about 20% of capacity. When the system of allocating raw materials on the basis of equipment capacity was abolished and replaced by an advance order booking system, a considerable number of the smaller manufacturers, who had sprung up after the war, were liquidated and production came to be concentrated in the hands of the larger manufacturers. It is estimated that about 80% of the production target for 1950 will be produced by some 20 of the larger manufacturers. Table II shows the productive capacities and operating rates of the principal soap manufacturing companies in the 1949 fiscal year, the year following the adoption of the advance order booking system.

TABLE II
PRINCIPAL SOAP MANUFACTURING COMPANIES OF JAPAN

Name of company	Location of head office	Capital stock (¥1 million)	No. of employees	Quarterly productive capacity (tons)	Operating rate (%) First quarter 1949	Second quarter 1949	Third quarter 1949	Fourth quarter 1949
Nippon Yushi K.K.[1]	Tokyo	500	3,360	13,270	4.9	7.0	11.3	31.9
Asahi Denka K.K.[2]	Tokyo	200	635	5,511	6.1	8.0	11.2	38.2
Sansuiso Yushi K.K.[3]	Osaka	60	465	3,683	5.3	4.4	7.0	16.3
Lion Yushi K.K.[3]	Tokyo	100	495	3,563	3.7	9.3	11.5	40.8
Nikka Yushi K.K.[4]	Kobe	200	645	2,485	6.4	13.5	20.1	65.6
Daiichi Kogyo Seiyaku K.K.[3]	Kyoto	60	690	2,247	0.8	4.7	8.6	34.3
Kao Yushi K.K.[3]	Tokyo	74	545	1,077	3.9	17.6	18.5	76.1
Kanegafuchi Kagaku K.K.[2]	Osaka	200	2,035	670	5.9	14.0	17.8	81.6

1 Produces explosives and paints also.
2 Produces electrolytic soda also.
3 Processes oils and fatst in general.
4 Carries on oil-processing also.
Source: Industrial Bank of Japan.

The primary factor responsible for the noteworthy improvement in the operating rate during 1949, as shown in Table II, was the concentration of orders in the larger manufacturers as a result of the adoption of the advance order booking system.

Trend of Domestic Demand.—According to Table I already referred to, the postward demand has increased satisfactorily. It is believed that the actual demand was greater than the amount revealed by these figures, for the figures do not include a considerable quantity of blackmarket consumption. According to the table, the entire output was consumed, leaving no stockpile, but actually it appears that out of the 64,500 tons for the 1949 fiscal year some quantity was refused acceptance by the consumers owing to the clumsy administration of distribution control. Such refusal arose from several causes: Firstly, distribution was made on a uniform basis throughout the country without regard to the comparative prosperity of the urban districts and the slump of the rural districts. Secondly, the issurance by the government agency of coupons for the allocation of raw materials was delayed, with the result that the coupons were delivered in the autumn of the year, long after the summer demand season had passed. Since soap production increase took place after the demand season had passed and since distribution was made in the autumn, the supply did not match the demand of the consumers. If due account is taken of these factors, it is believed that under a normal condition the 64,500 tons produced in 1949 could have been fully consumed.

The estimated demand of 100,000 tons for the 1950 fiscal year is about equal to the prewar demand. Though the demand has tended to increase somewhat since the outbreak of the Korean war, it appears that the 100,000 ton estimate is based on the assumption that the price will decline to some extent.

Table III compares the price of soap with those of other consumers' goods in general.

TABLE III
COMPARISON OF THE PRICE INDEX OF SOAP WITH THE PRICE INDEX OF OTHER CONSUMERS' GOODS

Date	Price of toilet soap per cake (yen)	Index number (A)	Index number of the prices of consumers' goods (B)	A ÷ B
Average for 1936	0.09	100	100	1.00
April 1948	44.19	49,100	15,800	3.10
April 1950	22.00	24,400	19,200	1.20

Note: The price of toilet soap per cake is that of soap weighing about 85 grams.
Source: Data collected by the Oils & Fats Processing Journal.

With the increase in the output of soap after about April 1948, the price of soap has steadily declined thereafter until by April 1950 it was about 50% of that in April 1948. Nevertheless, the price of soap is still higher than the prices of other consumers' goods. The price of ¥18 per cake seems to be an appropriate price on the basis of the general price index of consumers' goods. If the annual soap output of 100,000 tons is realized, there is good possibility that the price of toilet soap will go down to about ¥18 to ¥20 per cake, while the price of laundry soap will generally fall to ¥15 to ¥16 per cake. If this extent of price decline occurs, it will be possible to estimate the annual demand at 35,000 tons of toilet soap and 65,000 tons of laundry soap.

Trend of Export and Import. — As may be seen from Table I, whereas about 25% of the total soap production in the 1939 fiscal year was exported chiefly to China and Southeast Asia, the export of soap was stopped during the war and has not been revived after the war because of the rise of the soap manufacturing industry in China and the countries of Southeast Asia. Instead of exportation, there has now arisen the question of importing soap from abroad. Before World War I, Japan had depended on imports for the supply of chiefly high-grade toilet soap, and such soap imports about equalled the domestic soap production. However, as the result of the suspension of soap imports and the stable growth of the domestic soap industry during that war, after 1925 domestic soap was able to not only drive out imported soap, except highgrade soap, but also to compete in the export market. Thereafter, until the outbreak of the Sino-Japanese conflict in 1937, the import of soap was limited to a small quantity of high-grade soap, and, as already stated, from 10% to 25% (varied according to year) of the domestic production was exported.

There is a possibility for the future resumption of the import of foreign soap. In such an event, high-grade domestic soap will have to compete with imported soap at about the same price, if the tariff on imported soap is set below 40% ad valorem. In the summer of 1949 the c.i.f. price of Lux soap (106 grams) and Swan soap (153 grams) were 7.4 cents (¥26.64) and 9 cents (¥32.40), respectively. A 40% duty on these imported soap will raise their yen prices to ¥37.30 and ¥45.40, respectively, as compared with ¥30 to ¥40 (85 grams) for high-grade domestic soap. There will be, therefore, practically no difference between domestic and imported soap. However, unlike in the past, there is no longer any need for high-grade imported soap, inasmuch as, generally speaking, the supply of and demand for domestic soap is about balanced and the quality of domestic soap has appreciably improved.

Profitability of Operations.—Since the outbreak of the Korean war the cost of raw materials has been rising, while the price of finished products has remained unchanged in reflection of the low purchasing power. The price of toilet soap is ¥18 to ¥20 per cake, while that of laundry soap is ¥15 to ¥16 per cake. We shall now consider the profitability of operations on the basis of these prices.

Table IV shows the cost calculation for toilet soap based on the Ministry of International Trade & Industry's survey of the units of materials required for the manufacture of soap. It should be noted that the cost calculation in this case is based on the prices of raw materials before the outbreak of the Korean war. Since then world prices have shown a rising trend, and the domestic prices of raw materials, though not yet significant are now showing signs of rise upon the abolition of the Oils & Fats Kodan in the early part of 1951. For example, beef-tallow and copra, which are two of the principal raw materials, are now being quoted at ¥230,000 (¥150,000 during official price days) and ¥220,000 (¥150,000 during official price days), respectively. Likewise, the prices of palm oil, cotton-seed oil and whale oil are showing a firm tone.

Table IV shows the cost calculation for soap produced by first-class factories, assuming an operating rate of 70% of capacity. The actual cost calculation is believed to be somewhat higher than the one given in the table, for some of the leading soap manufacturing companies of Japan have a

TABLE IV
MANUFACTURING COST OF TOILET SOAP
(In yen 100 grams)

Raw material	Machine-kneaded soap	Frame-kneaded soap
Cost of oil and fats ..	11.35	8.93
Cost of caustic soda ..	0.36	0.31
Cost of aromatics and pigments	2.50	1.50
Electricity and fuel cost	0.11	0.05
Labor cost	0.50	0.15
Total cost	14.82	10.15

Notes:
1. The cost has been calculated on the basis of the units of raw materials required for the manufacture of soap as revealed by the survey conducted by the Ministry of International Trade & Industry.
2. Oils and fats used as raw materials comprise copra oil, long-bearded whale oil, herring oil and industrial lard in equal proportions (25% each).
3. Aromatics are used in the proportion of 50 kilograms for each ton of high-grade soap and of 30 kilograms for each ton of ordinary-grade soap.
4. Both hardening and decomposition expenses are excluded from the cost. These two expenses are to be included in the cost of by-products (glycerine, etc.).

low operating rate, as shown already in Table II. The cost given in Table IV does not include overhead expense. If we include an overhead expense of 10%, the total cost of soap per 100 grams is estimated at ¥16.30 for machine-kneaded soap and about ¥12 for ordinary frame-kneaded soap. Accordingly, the average total cost of soap will be about ¥14.20 per cake.

As the consumers' price of even the toilet soap produced by the leading manufacturers has declined by about 20% from about ¥25 in April 1950 to about ¥20 by the end of November 1950, the producers' price of toilet soap is probably around ¥17, assuming a margin of about 15% between the producers' price and the consumers' price. Accordingly, the manufacturers' profit per cake of soap is ¥0.70, being the difference between the above producers' price of ¥17 and the cost of ¥16.30. In the case of some of those manufacturers whose operating rate is low, they will probably have to sell below cost.

Conclusion

In view of the abolition of distribution control of soap since July 20, 1950, the abolition of control on raw material oils and fats, except soybeans, since October 14, 1950, and the scheduled abolition of the Oil-stuff Distribution Kodan in the early part of 1951, competition in the soap industry is expected to be further intensified thereafter. The advance order bookings in the first quarter of the 1950 fiscal year show that 80% of the total bookings for 228 million cakes of soap were captured by the top 20 companies, the percentages of bookings taken by them being as follows: Nippon Yushi K.K. 27% Asahi Denka K.K. 12%, Lion Yushi K.K. 12%, Marumiya, Nikka Yushi K.K., Kao Sekken K.K., Kao Yushi K.K., Daiichi Kogyo Seiyaku K.K., K.K. Shiseido. Kyoshinsha, Kanegafuchi Kagaku K.K. and Sanšuisc Yushi K.K. 5% to 10% each. The remaining 200 odd factories shared among themselves the other 20% of the advance order bookings.

The larger companies, which have a long history and an excellent standing, are enjoying good business and their operating rate is steadily increasing. Despite the large increase in capital stock effected by them since the war's end, they have continued 15% to 20% p.a. dividends. Although the sales prices of the products are expected to be reduced to some extent, there is very little likelihood that their business operations will become unprofitable.

On the other hand, as the result of the consumers' preference for the products of the larger manufacturers with superior standing, some of the smaller manufacturers, who sprang up since the war's end, have already been confronted with sales difficulty, and there is a possibility that they will fall into distress from unprofitable operations.

Soapless Soap

It is reported that out of the 1,800,000 tons of soap produced in 1949 in the United States, 400,000 tons comprised synthetic soap. About 60% of the latter was accounted for by so-called soapless soap derived from petroleum. There are two methods of manufacturing this soap. One method uses the following process: petroleum— kerosene — alkyl-benzine — soapless soap, while the other method uses the following process: petroleum— gaseous oleffin — alkyl-benzine — soapless soap.*

Both of these two methods use benzol as the principal raw material. Since the outbreak of the Korean war the world price of benzol has risen to about ¥90,000 per ton, while the domestic price is now about ¥100,000 per ton and is expected to rise further in the future. Moreover, not only is the cost of various chemicals required in the manufacturing process up to alkyl-benzine, an intermediate product, cheaper in the United States than in Japan, but the production of this intermediate product in the United States is conducted on a mass production basis. Under such circumstances, soapless soap produced in Japan has little chance of successfully competing in price with foreign soapless soap. In order to overcome this disadvantage, it appears that Japanese manufacturers of this soap are resorting to the importation of the intermediate product, alkylbenzine, for the purpose of processing it into soapless soap in Japan. The Nippon Yushi K.K., Mitsui Kagaku Kogyo K.K., Kao Sekken K.K. and Lion Yushi K.K. have already undertaken the experimental production of soapless soap. Another desirable method is for Japanese manufacturers to purchase the patents of the leading American manufacturers of this product and to technically cooperate with such foreign companies, but so far no such technical affiliation has been established. For the present, alkyl-benzine is imported from the United States and processed into soapless soap in Japan. Since October 1950 the import of this intermediate product has become normalized, a total of about 100 tons being imported each month by the Nippon Yushi K.K., Lion Yushi K.K., Kao Sekken K.K. and Mitsui Kagaku Kogyo K.K. The Nippon Yushi K.K. accounts for about 80% of the total output of soapless soap in Japan. The company's production target calls for a monthly output of 100 tons during this fiscal year and of 200 tons during the next fiscal year. At present the principal American shipper of alkyl-benzine is the Oronite Chemical Co. (a subsidiary of the Standard-Vacuum Co.). As a large quantity of this product can be produced from an abundant supply of petroleum products, it is expected that Japan's requirements for this product can be continuously supplied by the United States in the future. In view of this optimistic outlook, the Japanese manufacturers of soapless soap are now expanding their processing facilities.

As to the future of the soapless soap industry in Japan, it seems that the prospect is rosy, judging from the favorable reception of the several hundred tons of experimental product put out so far. As a cleanser for use in the textile industry, soapless soap is twice as much effective as alcoholic cleanser of the same quantity. Since its price is about the same as that of high-grade alcoholic cleanser (about ¥150,000 per ton), its use is far more economical than the latter.

Though Japan is short of petroleum, from which soapless soap is made, a large quantity of kerosene is now manufactured in this country for use in manufactuuring D.D.T. Since there is over-production of D.D.T. at present owing to the advent of the new insecticide B. H. C. (to be sure, there is some special procurement demand for D.D.T.), it is expected that there will be an adequate supply of kerosene for use in manufacturing soapless soap. However, this is based on the assumption that integrated operations for the manufacture of soapless soap is possible in this country.

In any case, the development of the soapless soap industry is highly desirable to a country like Japan which depends on imports for the supply of the major part of the raw materials for soap manufacturing.

* According to the trial calculation of the units of materials required for producing soapless soap based on trial production in Japan, 340 grams of soapless soap can be produced from 100 grams of alkyl-benzine. Incidentally, benzol accounts for about 30% of the cost of product.

FINANCIAL MARKETS

HONGKONG FREE EXCHANGE & GOLD MARKET

Last week saw quieter markets and reduced prices. Though the price spiral under the influence of firm world markets is still rising there were many recessions and the consumer was pleased but for how long appears doubtful. Demand by investing and hedging sectors for gold and US$ was down, and speculative buying of commodities of the 'essential' or 'strategic' variety was weak.

Generally there was more caution observed and the valuation of political news with events reported from the Korean battlefronts was made with less buoyancy than only a short while ago. The slow advance of the UN forces is most reassuring, in fact it is the only matter which counts at the moment. Without the determined leadership of MacArthur in the current Korean campaign and the policy of US in Asia, as largely shaped by this great American, the degree of uncertainty felt here as in other centres in the Far East would be more unnerving. Fortunately for the non-communist part of the world the American policy with regard to meeting and eventually defeating the designs of communism has emerged from doubts, bickering, vagueness and drifting to an all-round encouraging firmness and determination. How far and how deep this new US policy is going to lead the world towards peace remains to be seen; but it has become now clear that the US means business and that no further intimidation by the Soviet will work.

Britain, after much delay and indecision, has finally adopted rearmament as the only means to obviate the plunging into a world war and her vast industrial effort is now getting under way. Other Western European nations are following the Anglo-US example with the result that raw materials remain firm in price and a long list of essential goods are rising in price in spite of the well-meaning though eventually ineffective endeavors of the governments concerned to establish some measure of price stability.

We have entered, following the communist aggression in Korea and the UN resolve to meet it with all the force at its disposal, into a new rearmament race; the Soviet dominated powers on one side are increasing their preparedness while the democratic countries, belatedly aware of the peril to their very existence, are now rushing ahead with their programs. The consumer, in the form of higher direct and indirect taxes and higher prices for commodities, is paying for this rearmament program but the responsibility for the tougher living conditions which result from the citizen's rising expenses at not equally rising income must be squarely placed where it belongs: at the USSR and the Cominform.

Hongkong is feeling the pinch though not as severely as in other countries. Our trade continues buoyantly inspite of the US embargo on shipments to China. There is much angry comment heard here about the effects of this embargo but reasonable observers approve of the US step though more discrimination would be welcome when Washington considers genuine Hongkong import demands. Hongkong Govt. has received reassuring news from Washington and the local manufacturer as well as the consuming public should obtain all the atttention and consideration required. Unfortunately the fantastic prices paid by Chinese merchants in direct or indirect contact with the communist authorities across the borders whet the appetite of bona fide business men who prefer to sell to Red China rather than to be satisfied with legitimate profits and supply only the local demand. Lack of discipline and self-restraint on the part of the mercantile community must, as in fact it has done, make the US Dept. of Commerce wary when licensing for export American goods. The resumption of US imports, on any large scale, is improbable and would appear against the best interest of America and all the nations allied with the US, in fact or only in spirit. Hongkong must play the game, must refuse to supply US made commodities to Red China, must concentrate on doing business with other territories in the Far East and elsewhere; however China is so near and exceptional profits are too alluring. There are many Chinese merchant houses whose owners are rabidly anti-communist but they, for profit's sake, keep on sending goods to Canton thus contributing to rear a potential enemy.

Nobody can close his eyes to the fact that Hongkong faces a real threat from across the border which threat is only delayed until such a time as the go ahead signal is given in Moscow. On sound and businesslike reasoning the possibility of an invasion of Hongkong by the communist forces should be ignored; the colony being populated to 99% by Chinese whose ever increasing investments are, fully exposed to the devastations of war, and being, with all present reservations, an important supply centre for the Peking regime, the communists would commit an act of utter foolishness if they started aggression against Hongkong. But the example of Korea has shown that China today is the pawn of Moscow and that no independent policy can be made in Peking, that the Soviet Union's program for world communisation is being followed, for the better or worse, by the

Soviet satellites, in Europe and Asia, and that therefore Peking's policy vis-a-vis Hongkong, as well as the British Commonwealth generally, is not dictated by sound reasoning and by mutually profitable relations but by the Cominform prescribed program of world conquest.

The community here has followed in amazement the communist Chinese intervention in Korea and the wave of indignation has mounted; from the interior the same feeling of revulsion has been reported and as the current UN offensive in Korea has caused enormous casualties among the hapless Chinese 'volunteers,' the disillusionment with the Peking regime is becoming fairly general. That Peking has been exposed as Moscow's satellite can no longer be disputed in the light of the Korean war.

Slowly the conviction gains ground that the outbreak of another war is inevitable; the Kuomintang and its propaganda have consistently predicted and fostered it. Reluctantly the business community, always devoted to the peaceful pursuit of commerce and fearing the destructions of war, has come to the conclusion that the rift between the communist and the democratic worlds is too vast to be bridged; the only hope for staving off the great calamity is stepped-up rearmament of the Anglo-US powers with their allies in East and West so that the USSR will cease further provocations and agree to negotiations so that the world can have peace.

The war-or-peace barometer is supplied by commodity markets and by the vagaries of exchange and bullion developments. The present trend points towards the culmination of a crisis. Hongkong's markets, by & large, only reflect developments elsewhere but being so near, dangerously near, the borders of Red China an added element of nervousness is discernible here. A slight price reaction should not be interpreted as indicative of an easing of the high political tension rather be understood as a technical balancing out of current supply-demand factors. Speculation, always prevalent in so big an emporium as Hongkong where hot funds are stored up in tremendous amounts, is often throwing financial and commodity markets out of gear with resultant price fluctuations which cannot be explained by actual movements of funds or goods.

* * *

Review for the week February 26 to March 3:—

GOLD:—Highest & lowest rates of .945 fine tael $327½—316¾, equiv. to .99 fine tael and oz rates of $343.09—285.12 and $331.83—275.76 resp. Cross-rates US$46¼ high, 45¼ low.

Prices per .945 fine tael, high and low, day by day:—$327½—323½; 324½—321½; 323⅜—320⅞; 323⅝—321¼; 320⅜—317¼; 319¼—316¾. Week's opening 326⅜, closing 319.

Prices weakened against the previous week by about 3%. Stimulating factors were absent from the market while lower prices were indicated by decline in TT New York, continued arrivals in Macao (over 100,000 ozs last week) and easy supply position abroad (with offers below local crosses), difficulties experienced in smuggling gold out of the Colony (many seizures of larger lots) though profits made shipping to S. E. Asian and Indian ports were seductive ($15—20 per .99 fine tael), a rising ready trading stock position with marginal holders more inclined to sell than to take up more.

Interest for change-over of one .945 fine tael of gold totaled for the week 71 cts. equal to an 11½% p.a. yield on investment. Tradings totaled 208,000 taels (daily average 34,660). Overnight position figured at 108,500 taels. Importers and hedgers (for interest) were oversold, some Shanghai speculators being overbought. Cash sales: 42,870 taels (of which 17,370 officially listed in the Exchange, and 25,500 privately arranged, mostly among native banks and bullion dealers). Of the above total marginal holders or interest hedgers took 22,500 taels, exporters 18,500, goldsmiths 1870. Exports were consigned to Singapore 8000 taels, Bangkok 7500, Rangoon 1500, Indochina ports 1500. Differences paid for .99 fine export bars on top of .945 fine market price ranged from $14.90—15.20 (no .97 fine bars being shipped nor demanded during the week).

Imports: 27,500 taels of which 23,000 from Macao and 4500 from Manila. Manila has been an active shipper of partly domestically mined and reexported bullion but some transport 'agents' have been caught and their losses, on account of seizures, have been heavy. Both the local and the Philippine authorities are paying growing attention to the bullion traffic and their recent successes should stimulate to further sallies both the revenue officers and their informers and stool pigeons. It is unfortunate that gold trading is regarded, by certain quarters, as nefarious business—a sad reflection on our civilisation. Macao maintained its position as Asia's leading bullion centre as gold imports were pouring into the Portuguese colony—lucky beneficiary from neighboring areas' 'verboten' policy with regard to gold trade—and new contracts were closed day in and day out. Several contracts totaling 45,000 ozs were concluded last week at US$44¾—45¼ cif Macao.

The outlook is not encouraging for the bulls. The trend is easy as overseas offers are pressing which must pull the crossrate further down. At the same time TT New York is not expected to rise above the present level (cross US$2.60 on average). Additionally, forward interest will be probably higher as the total of certified (as to .945 fine gold content) bars in February amounted to almost 125,000 taels; this quantity was largely hedged with funds coming from the communist Chinese treasury and paid out through local agents, but recently there have been no fresh accruals of exchange to that treasury which may result in slow unloading of gold bars on market (for the purpose of reconverting them into HK$ to pay for imports into China). A gradual decline in the rate is generally foreshadowed, with some rallies following sharper drops.

SILVER:—Prices were steady with only small business done (62,500 taels). Bar silver $6.07 per .99 fine tael, dollar coins $3.87—3.90, small coins (20 cts.) $2.97—2.98.

Silver Trade in January 1951:—No trade in coins. Bars or ingots were imported from Macao only, 94,600 ozs at $348,528; and exported to the UK 287,838 ozs valued at $1,384,000, to North Borneo 1038 ozs at $5100, and to Thailand 28,873 ozs at $107,000, making a total for exports of 317,749 ozs valued at $1,496,100.

SILVER (BARS OR INGOTS)

Countries	Imports		Exports	
	Quantity Ounces	Value $	Quantity Ounces	Value $
U. K.	—	—	287,838	1,384,000
North Borneo	—	—	1,038	5,100
Macao ...	94,600	348,528	—	—
Thailand ..	—	—	28,873	107,000
Total ...	94,600	348,528	317,749	1,496,100

BANK NOTES:—There were hardly any changes in an inactive market. Piastres spot quoted $13.30 to 13.50, Baht 26.70—27½, Indonesian rupiahs 34, Philippine pesos 1.64—1.65, Malayan dollars 1.79—1.80, Macao pataca 1.08. Japanese yen, per 10,000, at $133—140 had little business though the rate was exceptionally cheap.

**US$:**—Highest & lowest rates per 100 US$, notes HK$611½—604, DD 613—606¼, TT 616—608½, crosses US$2.597—2.629. Day by day prices for TT were (high and low in HK$):—616—611½; 613½—609½; 611½—609; 612½—610½; 611—608½; 611—609.

Business was quiet and small amounts were turned over. Buyers were mainly gold importers, sellers were gold exporters. Merchant demand almost nil, overseas Chinese remittances were on the increase as Ching Ming festival (tomb sweeping, corresponding in a way to Easter) was approaching. Total sales: TT US$350,000, notes and DD 495,000. Market observers agree that rates are now more in line with overseas and that only small fluctuations can be anticipated; the trend is easy.

CHINESE EXCHANGE & FINANCIAL MARKETS

The official rates in Peking remained unaltered, a source of great satisfaction for the regime there and about which fact the radio and the press in China could not cease singing hymns in self-praise at the same time as was to be expected, 'proving' to the proletariat the superiority of the communist system and the 'decadence' of the 'imperialist aggressors.' That the exchange rate has remained stable for a long time and that there were gradual upward valuations of the PB$ in terms of all other currencies except the rouble and the rouble bloc currencies has been politically exploited. The financial authorities in Peking seem to be unable to evaluate the vagaries of foreign exchange rates in other than political and propaganda terms.

The success of the Peking government is remarkable particularly when considering the rotten state of economic affairs in which the communists entered upon the expulsion of the KMT. Prices have ruled stable for a long time, corruption and squeeze have been largely rooted out, an active trade balance has been maintained and the state budget is, though no figures are vouchsafed to the public, believed to be only slightly in the red. Discipline of the hard core of the CCP and passivity of the Chinese people, who take the new dispensation without revolting though the murmur is rising, have contributed to the economic success of the new regime; at the same time poverty is spreading in the vast country and thus both capital flight and 'conspicuous spending' are negligible if existing at all. The Peking regime has been, by sheer effort of the respective economic authorities of the CCP, gaining respect though not sympathy among the public and if not for the utterly unnecessary intervention in Korea by the Chinese Red Army (falsely styled a volunteers' army) the prospect for further consolidation of the economy of 'New China' could have appeared promising. But with the fateful plunge taken by the CCP, upon the orders of Moscow, and the current raging of hostilities in Korea the newly won economic stability in the country is becoming ever more precarious.

The following factors were responsible for the steady trend in the PB$ exchange rate and the recent appreciation of the Chinese currency in terms of the US$ and sterling area currencies:

(1) the growingly centralised authority in Peking succeeded to curb imports and promote exports, enforcing trade policies and controls (clamping down on smuuggling and corruptive practices of customs organs) which eventually brought China's trade to the desired goal of a steady trade surplus;

(2) flight of capital which plagued KMT China badly ceased almost completely after the CCP took over which was not a proof for public confidence in the new authority but a consequence of the previous outflow of funds from China so that, when the communists arrived, little 'idle money' was left for emigration;

(3) the Peking treasury's exchange earnings were rising from returnees' funds (largely being Chinese and their capital which earlier sought refuge in Hongkong from civil war depredations rather than from the 'red terror' supposed to be unleashed by the CCP when 'liberating' new areas) and from overseas Chinese family remittances (money which because of the realistic rates offered by the People's Bank was going from abroad directly to China and not via Hongkong); and also from the gradual disgorging of foreign currency and gold hoards which had been accumulated by the Chinese, especially in Shanghai, who were in fear of unending inflation and currency manipulation by the KMT regime, as well as by the Chinese in Kwangtung who had, as it were, adopted the HK$ as the 'legal tender' of South China and who, after the questionable liberation, had, by force of 'persuasion' and other dire necessities, to sell their HK$ hoards for PB$;

(4) by means of forced loans and a well planned imposition of taxes, evasion of which was dangerous and difficult, the new govt was able to approach a state of balancing of its revenue and expenditure, and when the public learned about this quite unusual feat of the govt it was small wonder that confidence in the PB$ was fostered and eventually broadened, the skilful and merciless propaganda machine of the new masters contributing to a large degree to this improvement in confidence;

(5) the morale of the public also rose when corruption, an age-old social evil in China, almost believed to be endemic in the country, was swept out and officials lead a spartan life which was widely acclaimed, in China and abroad, as heralding the moral renaissance of the nation;

(6) the earning power of the masses was reduced and unemployment became rampant in the course of the 'readjustment' of China's so-called feudal to a 'new democratic' society, which left the people without any surplus, and at the same time those moneybags who were hiding their illgotten riches from retribution and redistribution trembled all the time and wore sackcloth to turn the attention of the neighbors and the authorities away from their miserable existences.

From time to time the financial authorities in Peking hinted how well they fared, how great their exchange resources were and they exalted how enthusiastic the people had shown themselves in carrying out the principles of an austere economy prescribed by the Cominform. That the majority of the people were not in the mood to live like CCP comrades, satisfied with the alleged progress on the road towards a perfect communist state, was ignored by the highpriests in Peking and as they had a large and dashing

army, a police force reinforced by a Russian modelled secret security organisation, and growing party cadres, the 'proletarian dictatorship' could well afford to go ahead in its domestic and foreign crusade. While Peking remained only hostile in words as far as the non-communist world was concerned internal progress was condemned to pining away. But with the outbreak of the Korean war which caused the Peking govt to intervene when the Korean communists all but collapsed a change in the political as well as economic fabric of the 'New China' was shaping up. Now the battle is raging and it is idle to speculate on the eventual outcome of this 'overture to world war III.' Suffice to note that the stress of a nation, so battleworn as China after years of foreign and civil wars, will become unbearable if and when the Korean war is not brought to a speedy end. As it looks today the ups and downs of the campaign in Korea will tax the strength and resources of communist China to a very painful degree and in the course of this attrition the finances of China are bound to suffer.

* * *

Last week's free market here quoted PB$ at HK$209—218 per one million for DD Canton and $225¾—231 for currency notes. The official rate is $257¾, thus the depreciation on the free market which the PB$ suffers is 15—19% for DD and 10—12¾% for notes. Business done in DD was 147 million and in notes 175 million PB$.

Before the outbreak of the war in Korea (June 25, 1950) the People's Bank sold officially TT New York and Hongkong at resp. PB$37,500 and 5750. Today the resp. rates are 22,890 and 3880. The PB$ has appreciated by 39% in the case of US$ and by 32½% in case of HK$. (The current HK/US crossrate in Peking is HK$5.90 or for sterling US$2.71). The black market in Canton quoted highest in February 1950 (Chinese New Year) around PB$10,000 per HK$; last week's rate was around 4200—4400 or 10% above the official exchange rate.

Business in gold and US$ remittances between Hongkong and China is small and for all practical purposes unimportant. Rates last week were for Shanghai gold and US$ TT resp. 101 and 92 per 100 in Shanghai.

Business in HK currency between Hongkong and Canton (which serves as clearing centre for other Kwangtung and also Kwangsi places) is usually brisk, rates were 95 to 98.30 here per 100 in Canton.

With Taiwan there is occasional gold and US$ remittance business done, last week's rates having been resp. 83½—86 and 91½—93 per 100 in Taiwan.

THE PURCHASING POWER OF THE US$

The purchasing power of the US$ has greatly declined in the U.S. as well as in foreign countries. The extent of the decline in individual countries can be derived from the first table. The sharpest decline occurred in the U.S., Switzerland and in Canada in spite of the higher U.S. dollar value in the latter. In the United Kingdom and Australia, past devaluation of the rates has held up the decline with the result that the dollar buys considerably more goods in these countries than in the U.S. The second table shows the extent to which it is possible to buy more goods with the U.S. dollar (at the official rate of exchange) in foreign countries than in U.S. It is possible to buy 50% more in Australia than in the U.S., while the buying power in Switzerland is about the same as in the U.S.

PURCHASING POWER OF ONE U.S.$ IN THE UNITED STATES AND ABROAD IN PERCENT OF THE BUYING POWER OF 1938

(based on wholesale prices)
1938=100

Year	Australia	Canada	Switzerland	United Kingdom	United States
1946	70.9	72.7	49.7	57.8	65.9
1947	80.8	60.8	47.8	61.8	51.7
1948	70.6	51.4	45.9	53.8	47.6
1949	63.5	50.0	48.2	51.4	50.6
	82.5	55.0		66.8	
1950					
Jan.	75.7	55.0	50.3	54.5	51.7
June	70.2	52.5	50.8	59.9	50.0
July	70.2	51.9	50.0	59.4	48.1
Aug.	67.1	51.4	48.5	58.4	47.2
Sept.	66.9	49.9	47.8	56.5	46.4
Oct.	66.0	48.5	46.8	55.1	46.4
Nov.	64.1	46.9	46.1	53.4	45.7
Dec.		45.1		52.5	44.3
1951					
Jan.					44.0

DOLLAR PURCHASING POWER ABROAD IN PERCENT OF PUROHASING POWER IN THE U.S.A.

(based on wholesale prices)
1938=100

Year	Australia	Canada	Switzerland	United Kingdom
1946	109.1	111.8	76.5	88.9
1947	154.7	117.6	92.5	119.5
1948	148.3	108.0	96.4	113.0
1949	125.5	98.8	95.3	101.6
	163.0	108.7		132.0
1950				
Jan.	146.4	106.4	72.9	105.4
June	140.4	115.0	111.6	119.8
July	145.9	107.9	104.0	123.5
Aug.	142.2	108.9	102.8	123.7
Sept.	144.2	107.5	103.0	121.8
Oct.	140.1	104.6	100.9	118.7
Nov.	142.4	102.6	100.9	117.0
Dec.		100.7		115.0

HONGKONG STOCK EXCHANGE

In spite of further good dividend announcements little interest has been shown in the market during the past week although buyers were in evidence at the close.

During the week the following Dividends and Bonuses were announced:—H.K. & Kowloon Wharf & Godown Co. $12 Free of Tax for 1950. China Providents $1 Dividend, $0.70 Bonus, both free of Tax for 1950. Hongkong Lands $4 less Tax for 1950. Hongkong Trams $1.40 Final, less Tax for 1950.

Business reported during the week $1,069,537. Business reported for February, 1950, $5,326,894. Business reportetd (9th week) 1950, $1,225,769.

Quotations of last week:—

H.K. GOVT. LOANS	
4% Loan	98
3½% „ (1934 & 1940)	95
3½% „ (1948)	96½
BANKS	
H.K. & S. Bank	1300
„ (Lond. Reg.)	£78½
Chartered Bank	£10 5/16
Mercantile Bk. A. & B.	£22¾
Bank of East Asia	101
INSURANCES	
Canton Ins.	260
Union Ins.	675
China Underwriters	3
H.K. Fire Ins.	145
SHIPPING	
Douglases	150
H.K. & M. Steamboats	15
Indochinas (Pref.)	12
„ (Def.)	55
Shells (Bearer)	85/7½
U. Waterboats	18
Asia Nav.	.65
DOCKS, WHARVES, GODOWNS, Etc.	
H.K. & K. Wharves	81½
North Point Wharves	5.10
Sh. Hongkew Wharves	5½
H.K. Docks	13
China Providents	11¾
Shanghai Dockyards	3
Wheelocks	20¼
MINING	
Raub Mines	4.70
H.K. Mines	.00¾
LANDS, HOTELS & BLDGS.	
H. & S. Hotels	5¾
H.K. Lands	39½
Shanghai Lands	1.45
Humphreys	7½
H.K. Realties	1.90
Chinese Estates	109
PUBLIC UTILITIES	
H.K. Tramways	12¾
Peak Trams (Old)	22
„ (New)	11
Star Ferries	69
China Lights (Fully Pd.)	6
„ (Partly Pd.)	3.70
„ (Bonus Sh.)	5.35
H.K. Electrics	24
Macao Electrics	8¾
„ (New)	8½
„ Bonus Sh.	8
Sandakan Lights	8¾
Telephones (Old)	101¼
„ (New)	9½
Shanghai Gas	1½
INDUSTRIALS	
Cald. Macg. (Ord.)	22½
Cements	10½
H.K. Ropes	15
STORES &c.	
Dairy Farms (Old)	13
„ (New)	11¾
Watsons	18½
Lane, Crawfords	21½
Sinceres	3
China Emporium	9
Sun Co., Ltd.	1.90
Kwong Sang Hong	88
Wing On (H.K.)	43
Wm. Powell, Ltd.	8
MISCELLANEOUS	
China Entertainments	12½
H.K. Constructions (O)	2½
„ (N)	1.30
Vibro Pilings	8¼
Marsman, Investments	9/-
Marsman, (H.K.)	.75
Shanghai Loan	.60
Shanghai Explor.	.15
Yangtszes	1.90
COTTONS	
Ewos	2½
RUBBER COMPANIES	
Alma Estates	18¼
Anglo-Dutch	.75
Anglo-Javas	.40
Batu Anams	.60
Bute Plantations	3½
Chemor United	.95
Cheng Rubbers	.70
Consolidated Rubbers	3.70
Dominion Rubbers	3¼
Java-Consolidateds	.20
Kota Bahroe	2
Kroewoek Javas	.25
Langkats	.50
Padang Rubbers	.50
Repah Rubbers	.30
Rubber Trusts	3.20
Samagaga Rubbers	.95
Semambu Rubbers	.95
Shanghai Kedahs	7
Shanghai Kelantans	.95
Shanghai-Malays	11
Shanghai Pahang	2½
Shanghai Sumatras	3
Sua Manggis	.10
Sungei Duris	38
Tanah Merahs	1½
Tebong Rubbers	.30
Ziangbe Rubbers	1

SINGAPORE SHARE MARKET

An unusually large volume of business was written during last February week. With tin and rubber continuing to be sold at well over $700 per picul and $2 per lb, respectively, there was very strong demand for both commodities' shares at increasing prices but when there was some profit-taking buyers became more cautious. Industrial Shares were steady throughout.

The following is quoted from the Annual Statement of the Chairman of a local company: "Not nearly enough credit or publicity either in the United Kingdom or elsewhere has been given to the achievements of Malaya in its contribution to the Commonwealth Dollar Pool, which is greater than that of any other contributor."

We believe that on average over the years this happy state of affairs can continue provided there is no undue interference by the Government in removing incentive either directly or indirectly. There is at present a mental attitude fostered by authority that increasing profits are to be disparaged. But what do profits reflect in any industry that is not a monopoly other than boldness of action, decision, efficiency, fore-sightedness and hard and sometimes dangerous work with accruing benefit to even the most unimportant worker and the public weal. The only present known monopolies in the Sterling or Dollar areas show losses or at best much lower profits than were proviously earned by private enterprise without there having been any improvement of the living standard of the operatives concerned.

Considerable parcels of Industrial shares changed hands around quotation and prices generally were well maintained. Sterling tins showed daily improvement in London but were quieter at the end of the week with a number of sellers locally. There was some profit-taking in the Australian tin section, which closed a little easier. Dollar tins were again better and there were buyers of Rantau at $1.92½ and Kuchai at $2.30 but Petalings had sellers at $5.60 c.d. at the end. Further sellers of Rubber shares came forward, but demand was such that after considerable exchanges business was still generally possible at the highest prices attained in the week. In the Local Loan Market, the Taxable issues were quiet but there were dealings in fairly large quantities of the War Loans.

BANK OF CANTON

At the annual general meeting of the Bank of Canton, Ltd. held last week it was agreed to pay a dividend on First Preference Shares at 8 percent. per annum and an additional dividend of 4 percent. per annum (free of tax) absorbing $240,000; a dividend on Second Preference Shares at 4 percent. per annum (free of tax) absorbing $187,140.80; a dividend on Ordinary Shares at 4 percent. per annum (free of tax), $43,328; a bonus to members of the Subscription Committee, $14,-000,72; a fee to Directors, $8,400; a bonus to Directors and the Staff $70.-004.52; Staff Retirement & Pension Fund $35,002.26; carry forward to the next account $283,136,31.

HONGKONG COMMODITY MARKETS

From being dull during the previous week, last week was characterised by almost total inertia in the local commodity markets. The only interest displayed was in raincoats as the usual rainy season is expected shortly.

Fresh difficulties are expected to arise in trading relations between Hongkong and the U.S.A. over the introduction by the US Treasury Dept. of a new ruling that Hongkong exporters of China produce must establish the fact that the goods concerned left Chinese territory (except Taiwan) before Dec. 17, 1950, and have been devoid of such national interests since that time.

Local cotton mills, also, are fearing the effect upon their supplies of raw cotton in view of the new trade agreement concluded between India and Pakistan, under which India will have priority in securing this essential commodity.

Cotton Yarn

The anticipated arrival of a shipment of cotton yarn from India did not have much effect on the market as a whole, as the yarns in question are composed chiefly of 26's, 32's and 40's. Speculators were active buying up Indian 20's, in the expectation that with falling stocks prices would rise, as the goods covered by outstanding export permits, licences for which have now been issued by the Indian Govt., apparently do not amount to a very large quantity. Prices at the close were: Indian 10's Cambodia Mills $1640 per bale, Gokak Mills $1680; Indian 20's Model Mill, Nagpur, $2120 per bale, Sidhpura Mill $2075. Krishna Kumar Mills $2065, Gokak Mills $2170; Indian 26's Madura Mills $2150 per bale, Kotak & Co. $2100, Sree Meenakshi Mills $2140. Hongkong yarn showed an increase, standing at the close at: 10's $2100 per bale, 20's $2600 to $2650 per bale, 32's $3000 per bale, 40's $3500 per bale.

HONGKONG ELECTRIC CO., LTD.

The Directors' Report of the Hongkong Electric Company, Ltd. shows a profit last year of $9½ million and a balance at credit of Profit and Loss Account of $9,508,406 after providing for depreciation and Corporation Profits Tax. To this amount this must be added $410,598 brought forward from the previous year. After deducting the interim dividend of $1 per share, free of tax, amounting to $2,100,000, an amount of $7,819,000 was made available for final appropriation, which the Directors recommend should be disposed of as follows:— final dividend of $2 per share, free of tax, on 2,100,000 shares $4,200,000; Plant Replacement Reserve $1,000,000; General Reserve $1,091,677.36; amount written off War Losses $901,225,34; carry forward to 1951 $626,097.94.

Cotton Piece Goods

Transactions were few during the week and prices showed a general drop: in grey sheeting, Indian 1091 42"x40 yards sold at $72 per bolt, Japanese 2023 fell to $79 per bolt and Double Flying Dragon dropped to $83 per bolt; Mammoth Bird (Shanghai), however, was quoted at $84 stocks being low. In white cloth, Three Peaches fell to $88 per bolt, Parachutes to $87 and Standard to $84 per bolt.

Raw Cotton

In view of the uncertainty over future supplies following signature of the Indo-Pakistan trade agreement, local mills are exploring the possibility of obtaining raw cotton from Brazil. After the recent increases in indent prices, a drop took place in the quotations for raw cotton from Pakistan. On the local market prices also fell: Pakistan 49/50 raw cotton NT-roller gin and LSS-r.g. were offered at $5.40 per lb. respectively, 4F-r.g. was quoted at $5.35 and 289F-r.g. at $5.50 per lb. Cotton waste was offered at $4 per lb. Rangoon and Egyptian raw cotton stood at $5.40 and $6 per lb.

Metals

The expected arrival of supplies of metals from Europe coupled with the temporary suspension of the issuance of import permits under the import-export link system by the authorities in China, brought about a fall in prices in most lines. Too great a fall was, however, prevented by the refusal of sellers to part with their goods, the expectation being that prices are bound to rise with future difficulties over obtaining supplies. At one time trading in such a popular line as mild steel round bars was virtually at a standstill, an endeavour being made apparently by the Chinese authorities to force down prices by refraining from buying. Towards the close however, buying pressure was exerted by local factories, but sellers were reluctant to respond at the lower rates offered. Mild steel round bars 20 ft. 1½" to 3" sold at $95 per picul (133.3 lbs.), while ½" to 6" fell to $98; 40 ft. ¼", 5/16", 1⅛" and 1¼" were quoted at $103 per picul, and ⅜" to 1" were offered at $102. Square bars, with few transactions, fell to $95 per picul for 20'-22' ½" to ⅞" and to $93 for 1" to 1½", at which prices purchases were effected by local factories. As an exception, trading in angle bars was fairly brisk and sales were effected of 3/16" thick 1½" and 1⅜" at $100 per picul, whereas ¼" thick 2" and 2½" were marked down to $95. Mild steel plates with light local stocks and activity shown by traders from China, was not affected so badly as mild steel bars: 4'x8' ⅝" sold at $150 per picul forward rising later to $155, while spots were quoted at $160; 1/32" and 1/16" were also quoted at $160 per picul, 3/16" sold at $108 per picul, 5/16" to ½" fell to $110 per picul and 3/16" sold

at $108 per picul. The requirements of dealers in China having been satisfied for the time being in galvd. iron sheets, a drop took place in prices: Japanese G31 3'x7' fell to $16.80 per lb.; G28 was offered at $1.60 per lb. while G24 and G26 stood at $1.40 and $1.45 per lb.

Industrial Chemicals

Notwithstanding buying activity by dealers from Canton and Singapore, the industrial chemicals market continued dull. Prices of some chemicals showed a falling trend with dealers cutting prices in order to secure cover for a shipment due to arrive shortly. Transactions of Crown brand quebracho extract were effected at $1.57 per lb., following which the general market price was reduced to $1.60. and finally came down to $1.50 per lb. On the other hand, ICI soda ash, heavy, in 90-kilo bags being in demand by Cantonese traders sold at $70 per bag and at the close had risen to $72 per per drum and fell finally to $500. French bicarbonate of soda, refined, in 100-kilo bags dropped from $86 to $80 per bag. Japanese bleaching powder in 100-kilo drums was offered at $1000 per ton but without buyers. Getz brand carbon black in 175-lb. cases was sold at the lower price of $510 bag. US caustic soda in 700-lb. drums sold at $2700 per case, a drop of $200. Acetic anhydride in 480-lb. drums was raised from $3.80 to $5 per drum. British citric acid crystals in 1-cwt. drums was quoted at from $3.80 to $4.30 per lb. Japanese acetic acid in 20-kilo. bottles sold at prices ranging from $1.45 to $1.48 per lb. Dutch acetic acid in 25-kilo. and 20-kilo bottles was offered at $1.53 and $1.55 per lb. respectively. Both Australian and British carbolic (phenol) in 448-lb. drums was reduced in price, being quoted respectively at $6.30 and $6 per lb. Dutch lithophone 30% was reduced to as low as $1.42 per lb. on forward sales, and to $1.50 per lb. for spot. A small lot of acid oxalic crystals from East Germany was sold at $1.40 per lb. Getz brand carbon black, with Tientsin dealers buying heavily, sold at $2500/$2600 per case of 175 lbs., the price later being raised to $2900 but falling at the close to $2700 per case of 175 lbs.

Fertilizers

A continued lack of buying interest in fertilizers on the part of dealers from China brought about a further drop in prices. ICI Black Moon brand sulphate of ammonia (100 kilos.) after selling at $720 per ton fell to $695 per ton; Golden Coin brand (100 kilos.) also dropped from $715 to $695 per ton; Shell brand (USA) in 100-lbs. paper bag was quoted at $700 per ton; Japanese sulphate of ammonia was also quoted at $700 per ton.

Cement

As from March 1, in order to cover the increasing cost of raw materials, the Green Island Cement Co. of Hongkong has been authorised to raise the official allocation price of Emerald brand (Green Island) cement in 112-lb. bags to $8 per bag; on the open market the price quoted was $8.90 per bag. Other cements sold by the Green Island Cement Co. have not been affected, Emeralcrete rapid hardening (Green Island) in 112-lb. bag remaining at $8.50 per bag, against the market price of $9.80, and Snowcrete (Green Island) 1-cwt. bags official price being $15 against the market price of $16 per bag. Plentiful supplies of Japanese cement are now arriving, but the restrictions imposed in China against the importation of cement have upset the arrangements of local exporters who had indented for these supplies in the expectation of supplying the requirements of reconstruction work in China. Macao for the present furnishes the only outlet of any importance. The ex-ship price of Japanese Lion brand cement 1-cwt. bags fell to $132/$130 per ton and sales were made at $7.80 per bag; 100-lbs. bags fell to $7.30.

Rubber

The rubber market remained quiet but steady during the week. A shipment of rubber despatched to South Korea via Japan, was welcomed as indicating a resumption of Hongkong's trade in rubber with that country; this was followed by an order for rubber from Japan to be re-exported this month from Hongkong to Korea. Dealers from Canton were in the market, taking rubber ends and smoked sheets No. 3 in exchange for China produce under the import-export link system. Prices showed little change: smoked rubber sheet No 1 was quoted at $590 per picul (133.3 lbs.) and No. 2 at $570, while No. 3 sold at $550; B cutting was offered at $480 per picul, but mixed cutting fell to $444. Sole crepe rubber from Java stood at $720 per picul and the Singapore product No. 2 at $650 per picul.

China Produce

The market in vegetable oils opened quietly, influenced by reports that the Canton authorities intended to raise the export floor prices of woodoil (tungoil) and teaseed oil, and that shipments to Hongkong were being restricted in order to keep up the price. A few transactions took place in woodoil at $270 per long ton c. & f. European port; unprocessed quality woodoil in bulk was quoted at $250 per picul (133.3 lbs.) and woodoil in drums was offered at $257 per picul; export quality in bulk was quoted at $263 per picul. European buying offers for teaseed oil 4% f.f.a. stood at £295 per ton c. & f., indicating a further weakening; sellers in Hongkong quoted $275 per picul, but buyers counter-offered $262/265 but without acceptance. Later, the price rose to $267 per picul and sales were finally made at $275 per picul, which was still well below the closing price of the previous week of $285 per picul. Aniseed oil with lowered stocks, showed an increase, being first quoted at $1390 per picul and finally rising to $1440; French dealers were buying heavily. Cassia oil 80.85% c.a. was quiet, the price being nominally quoted at $3200 per picul. An increase in price in the producing centre for coconut oil from Singapore, together with strong demands from Taiwan merchants caused the local price also to rise, sales being made at $205 per picul.

Various causes have contributed to inactivity in the market for cassia lignea during the past few weeks, among these being the lack of buying offers from the United States and India, and the pause that usually ensures before the new crop is harvested and stocks can be replenished, which should be in April/May. Meanwhile, low stocks caused the prices to increase, cassia lignea 1-cwt. bale 1st qual. (West River) was quoted at $134 per picul fob. and the 80-lb. bale at $132; goods in bulk stood at $123 per picul. European dealers were in the market for gallnuts and transactions took place at $163 per picul, the price at the close rising to $167 per picul. With large shipments from China, aniseed star declined; Nanning 1st qual. was quoted at $210 per picul and Honan 2nd qual. at $195, counter-offers from exporters ranged from $180/$185 per picul.